Absa Group Limited

Interim financial results for the reporting period ended 30 June 2019

Report **overview**

This financial results booklet for the reporting period ended 30 June 2019 is one of the publications released at the time of Absa Group Limited's (Absa Group or the Group) financial results announcement on 13 August 2019. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the interim financial results presentation. The full set of documents is available on www.absa.africa

1. Reportable segment changes

- Rest of Africa (RoA) Banking was renamed to Absa Regional Operations (ARO) to align with the Absa Group brand.
- Wealth, Investment Management and Insurance (WIMI) has been removed from the Group's segmental disclosures to align with how the operations are now managed:
  - Life Insurance and Short-term Insurance (including ARO entities) are disclosed as the Insurance Cluster in Retail and Business Banking South Africa (RBB SA).
  - Wealth, Distribution and Fiduciary services have moved to the Relationship Banking segment in RBB SA.
  - WIMI Other is part of Retail and Business Banking Other in RBB SA.
  - Investment Management is reported in Head Office, Treasury and other operations in South Africa.
  - Terminating lines (including ARO terminating lines) are reported in Head Office, Treasury and other operations in South Africa.

The aforementioned segment changes have resulted in the restatement of financial results for the respective segments, but have not impacted the overall position or net earnings of the Group.

2. Business portfolio changes

The following business portfolio changes have taken place during the reporting period:

- RBB SA has aligned its operating model to enable a more customer centric approach which will offer more holistic product offerings. The business has now been arranged into the following units:
  - Home Loans;
  - Vehicle and Asset Finance;
  - Everyday Banking;
  - Relationship Banking;
  - Insurance Cluster; and
  - Retail and Business Banking Other.
- Software projects and other assets, liabilities (together with the funding provided by Treasury) and associated income and expenses which were previously centrally maintained, have been moved from Head Office in South Africa to the various responsible segments to ensure end-to-end accountability of business activities.
- The Absa Namibia representative office, which was previously reported in ARO, has been moved to Corporate and Investment Banking South Africa (CIB SA) to support its regional expansion strategy.

The business portfolio changes have resulted in the restatement of financial results for the respective segments, but have not impacted the overall position or net earnings of the Group.

3. Amendments due to developments in IFRS 9 accounting interpretations

The following technical interpretations have evolved since the publication of the Group's IFRS 9 disclosures as at 30 June 2018:

- Treatment of post write-off recoveries under IFRS 9 Financial instruments (IFRS 9); and
- Treatment of interest recoveries on cured stage 3 financial assets.

Refer to note 17 for more information.

4. Correction of prior period error

The Group determined that certain intra-day 'due for settlement accounts' in respect of long and short proprietary positions with the JSE have been incorrectly netted in June 2018. Correction of this error did not have an impact on profit or loss, or equity, but it did result in a gross up of R11 473m between other assets and other liabilities.

5. Adoption of new International Financial Reporting Standards (IFRS)

New IFRSs have been adopted of which IFRS 16 Leases (IFRS 16) has the most significant impact on the Group's results. Refer to note 18 for more information.

- The Board of Directors oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors view reports prepared by the businesses, risk and others. They exercise sound independent judgement, and probe and challenge recommendations, as well as decisions made by management.
- Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.
- Finance is led by the Financial Director who reports directly to the Chief Executive Officer. The Financial Director has regular and unrestricted access to the Board of Directors as well as to the Group Audit Compliance Committee (GACC).
- Together with the GACC, the Board has reviewed and approved the reporting changes contained in the announcements released on the Unaudited Interim Financial Results on 13 August 2019.

Contents

IFC Report overview
2 About Absa Group

4 Normalised Group performance

6 Normalised Group performance overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Consolidated normalised statement of comprehensive income
22 Consolidated normalised statement of financial position
24 Consolidated normalised statement of changes in equity
30 Condensed consolidated normalised statement of cash flows
31 Performance indicators and condensed normalised notes to the consolidated financial statements

70 Segment performance

71 WIMI (as previously disclosed) segment change
73 Segment performance overview
76 Segment report per market segment
78 Segment report per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations in South Africa

132 IFRS Group performance

133 Consolidated IFRS salient features
134 Consolidated IFRS statement of comprehensive income
136 Consolidated IFRS statement of financial position
138 Consolidated IFRS statement of changes in equity
144 Consolidated IFRS statement of cash flows
145 Condensed IFRS notes to the consolidated financial statements
150 IFRS segment performance
152 Barclays separation effects

155 Risk management

156 Risk management overview
168 Capital management and RWA

175 Appendices

176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Dividend per share

Interim	505 cents

Key dates

Interim dividend payment:	16 September 2019
Financial year-end:	31 December 2019

Shareholder communications

Shareholder information	page 177
Contact information	page 187

Icons used with this report

▲ ▼ ● Positive
▲ ▼ ● Negative
= Remains the same
▲ ▼ Increase/decrease

Absa Group Limited (1986/003934/06)
The term Absa Group or the Group refers to Absa Group Limited and its subsidiaries.
Unaudited Interim Financial results for the reporting period ended 30 June 2019
Date of publication: 13 August 2019
These interim financial results were prepared by Absa Group Financial Control under the direction and supervision of the Absa Group Limited Financial Director, J P Quinn CA(SA).

About **Absa Group**

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of. We are committed to finding local solutions to uniquely local challenges and everything we do focuses on adding value.

We are creating an organisation that can make better decisions faster, is aligned and engaged at every level, headed by leaders who inspire the whole organisation to action and give our employees an emotional sense of belonging and commitment.

We are driven by our purpose and...

Bring your possibility to life.

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and supporting them every step of the way.

...guided by our promises.

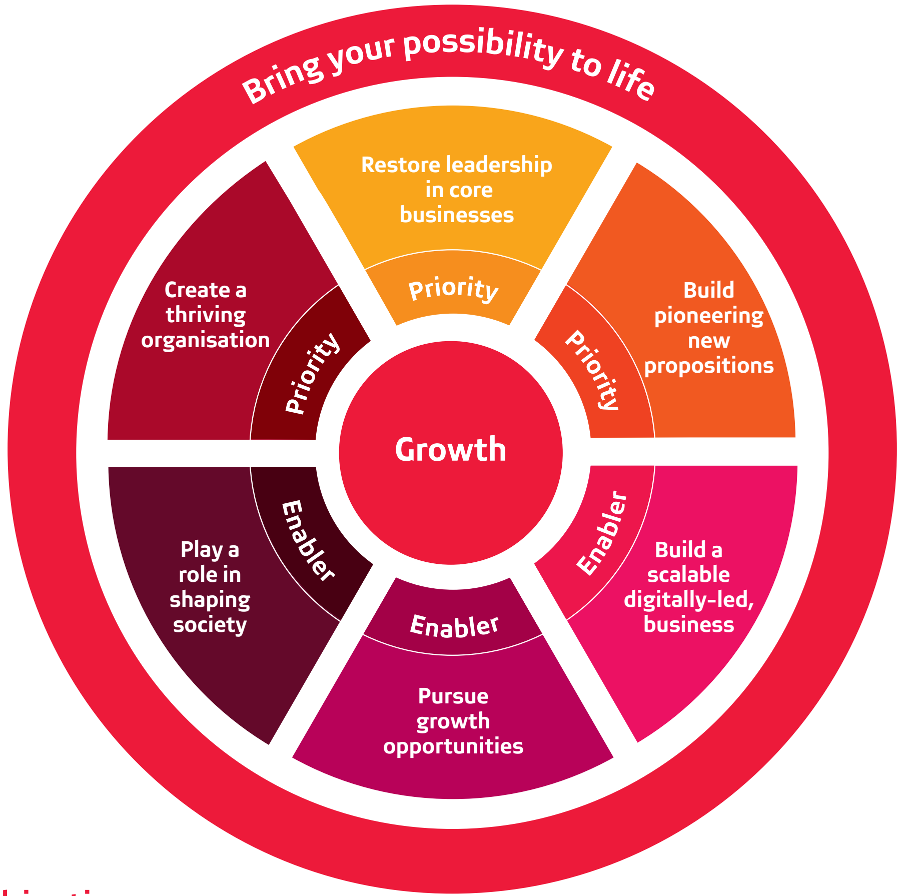
1. **For our people**, we will create a culture that appreciates, unifies and differentiates us from our competitors.
2. **For our customers**, we will create unprecedented, seamless experiences to engage and delight them.
3. **For society**, all our employees will lead with a conscience... doing the best for people and the planet.

We live by our Values.

- **We drive high performance to achieve results**
- **Our people are our strength**
- **We are obsessed with the customer**
- **We have an African heartbeat**

Our strategy will bring our purpose to life as we pursue our goal of growth.

3 priorities
To restore
To innovate
To empower



3 enabling capabilities
To scale
To grow
To shape

Our strategic objectives

1. Growing our portfolio while contributing to the growth of the markets we serve.
2. Reducing costs by creating a more efficient and effective organisation.
3. Delivering top, sustainable returns that maximise long-term value.

Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021.
3. To achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

To get back to sustained above-market growth, we agreed to prioritise certain areas of our strategy in 2019.

Our immediate and highest priorities are to...

1. Gain market share in Retail and Business Banking South Africa (RBB SA) and better serve customers across their life stages to retain them.
2. Deliver Separation successfully in ARO and Corporate and Investment Banking (CIB) Africa through the right prioritisation of the 2019 book of work.
3. Build core CIB capabilities, coverage model and integrated transaction banking solutions to drive ROE.
4. Create an integrated bank assurance delivery model between WIMI and RBB to leverage the capabilities and resources of the bank in order to deliver a seamless single client-facing experience.
5. Enhance digital customer enablement (full end-to-end self-service).

Normalised Group performance

6 Normalised Group performance overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Consolidated normalised statement of comprehensive income
22 Consolidated normalised statement of financial position
24 Consolidated normalised statement of changes in equity
30 Condensed consolidated normalised statement of cash flows
31 Performance indicators and condensed normalised notes to the consolidated financial statements

Normalised Group performance overview

for the reporting period ended

▲ Pre-provision profit growth of 7%

(CCY +5%) showed improved momentum mainly in RBB SA (up 8%) and ARO (up 21%, CCY +13%).

= Credit loss ratio increased to 0.79%

from 0.75% with impairments increasing by **19%** (CCY +18%) reflecting book growth and higher charges in ARO off a low base in the prior year.

▲ Jaws is flat (+0.1%)

despite restructuring provisions incurred during the first half of the year as income growth of **6%** (CCY +5%) improved and operating cost growth of **6%** (CCY +5%) reflects the benefit of cost reductions.

= Normalised headline earnings increased

slightly by **3%** (CCY +1%) to R8 267m as pre-provision profit growth was offset by 19% higher impairments.

▲ Strong growth in gross customer advances

(CCY +12%) supported by strong growth in CIB SA (up 23%), and ARO (up 15%, CCY +16%); RBB SA advances up 7% showed good growth in production across most of the product houses and increased market share.

▼ Net interest margin reduced

and was impacted mainly by funding composition and pricing.

▲ Customer deposits (CCY +12%) which has been supported by strong growth

across the business units with RBB SA up 13%, CIB SA up 13% and ARO up **10%** (CCY +11%) across Corporate and Retail.

▼ Return on equity of 16.4% reduced

on a normalised basis from the prior year (17.1%).

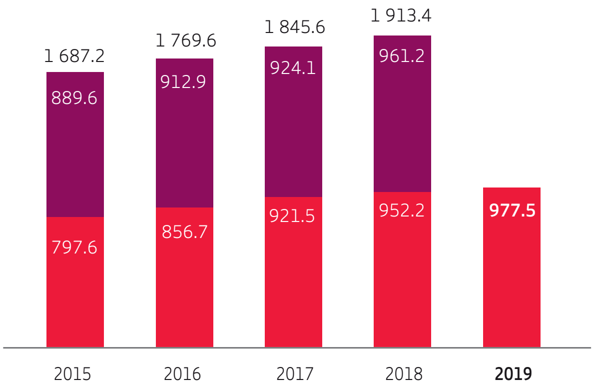
= Income growth of 6%

(CCY: 5%) grew faster than prior periods despite lower Trading performance in South Africa during the period.

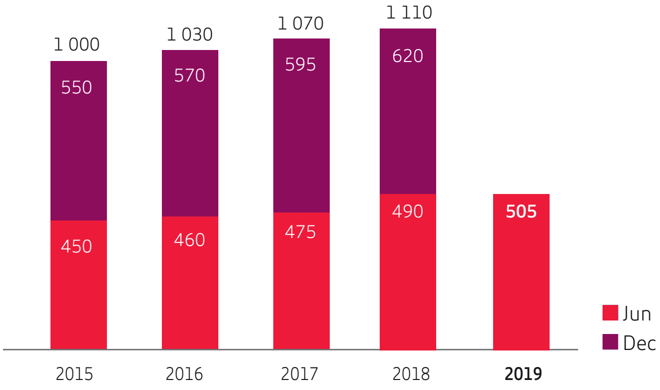
Normalised Group performance overview

for the reporting period ended

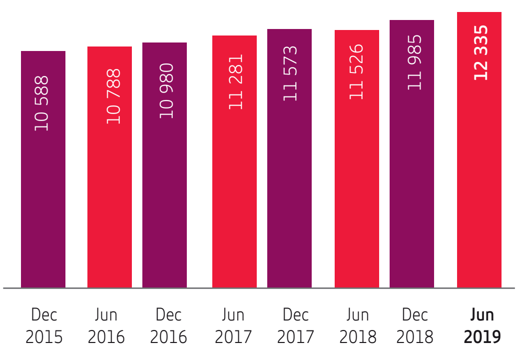
Headline earnings per ordinary share (HEPS) (cents)



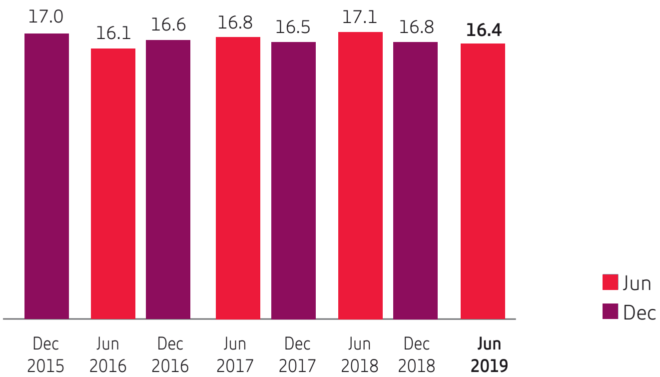
Dividend per share (DPS) (cents)



Net asset value (NAV) per ordinary share (cents)[1]



Return on equity (RoE) (%)[1]



[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

	30 June 2019 IFRS Group performance	30 June 2019 Barclays separation effects	30 June 2019 Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	22 780	113	22 667
Non-interest income	16 372	(32)	16 404
Total income	39 152	81	39 071
Impairment losses	(3 695)	—	(3 695)
Operating expenses	(22 999)	(863)	(22 136)
Other expenses	(893)	(40)	(853)
Share of post-tax results of associates and joint ventures	93	—	93
Operating profit before income tax	11 658	(822)	12 480
Tax expenses	(3 204)	181	(3 385)
Profit for the reporting period	8 454	(641)	9 095
Profit attributable to:			
Ordinary equity holders	7 641	(617)	8 258
Non-controlling interest – ordinary shares	470	(24)	494
Non-controlling interest – preference shares	174	—	174
Non-controlling interest – Additional Tier 1 capital	169	—	169
	8 454	(641)	9 095
Headline earnings	7 650	(617)	8 267
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.52	n/a	4.52
Credit loss ratio on gross loans and advances to customers and banks	0.79	n/a	0.79
Non-interest income as % of total income	41.8	n/a	42.0
Income growth	5	n/a	6
Operating expenses growth	4	n/a	6
Cost-to-income ratio	58.7	n/a	56.7
Effective tax rate	27.5	n/a	27.1
Statement of financial position (Rm)			
Loans and advances to customers	882 365	—	882 365
Loans and advances to banks	66 947	—	66 947
Investment securities	129 487	—	129 487
Other assets	297 906	3 908	293 998
Total assets	1 376 705	3 908	1 372 797
Deposits due to customers	797 708	—	797 708
Debt securities in issue	164 321	—	164 321
Other liabilities	288 367	(4 219)[1]	292 586
Total liabilities	1 250 396	(4 219)	1 254 615
Equity	126 309	8 127	118 182
Total equity and liabilities	1 376 705	3 908	1 372 797
Key performance ratios (%)			
RoA	1.16	n/a	1.26
RoE	14.0	n/a	16.4
Capital adequacy	16.0	n/a	15.4
Common Equity Tier 1	12.5	n/a	11.9
Share statistics (cents)			
Diluted headline earnings per ordinary share	918.4	n/a	975.8

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

	30 June 2018		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income[1]	21 049	175	20 874
Non-interest income	16 267	413	15 854
Total income[1]	37 316	588	36 728
Impairment losses[1]	(3 117)	—	(3 117)
Operating expenses	(22 198)	(1 364)	(20 834)
Other expenses	(964)	(76)	(888)
Share of post-tax results of associates and joint ventures	56	—	56
Operating profit before income tax	11 093	(852)	11 945
Tax expenses	(3 189)	133	(3 322)
Profit for the reporting period	7 904	(719)	8 623
Profit attributable to:			
Ordinary equity holders	7 253	(719)	7 972
Non-controlling interest – ordinary shares	379	—	379
Non-controlling interest – preference shares	176	—	176
Non-controlling interest – Additional Tier 1 capital	96	—	96
	7 904	(719)	8 623
Headline earnings	7 324	(719)	8 043
Operating performance (%)			
Net interest margin on average interest-bearing assets[1]	4.69	n/a	4.69
Credit loss ratio on gross loans and advances to customers and banks[1]	0.75	n/a	0.75
Non-interest income as % of total income[1]	43.6	n/a	43.2
Income growth[1]	3	n/a	2
Operating expenses growth	8	n/a	4
Cost-to-income ratio [1]	59.5	n/a	56.7
Effective tax rate	28.7	n/a	27.8
Statement of financial position (Rm)			
Loans and advances to customers[1]	781 171	—	781 171
Loans and advances to banks	62 843	—	62 843
Investment securities	127 437	—	127 437
Other assets[1]	273 234	1 605	271 629
Total assets[1]	1 244 685	1 605	1 243 080
Deposits due to customers	714 491	—	714 491
Debt securities in issue	140 782	—	140 782
Other liabilities[1]	271 324	(8 496)[(2)]	279 820
Total liabilities[1]	1 126 597	(8 496)	1 135 093
Equity[1]	118 088	10 101	107 987
Total equity and liabilities[1]	1 244 685	1 605	1 243 080
Key performance ratios (%)			
RoA	1.26	n/a	1.40
RoE[1]	14.1	n/a	17.1
Capital adequacy	16.7	n/a	15.7
Common Equity Tier 1	13.3	n/a	12.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	877.8	n/a	949.5

[1] These numbers have been restated, refer to the report overview on the inside cover page.

[2] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

	31 December 2018		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	43 755	330	43 425
Non-interest income	32 760	525	32 235
Total income	76 515	855	75 660
Impairment losses	(6 324)	—	(6 324)
Operating expenses	(46 803)	(3 161)	(43 642)
Other expenses	(2 026)	(194)	(1 832)
Share of post-tax results of associates and joint ventures	179	—	179
Operating profit before income tax	21 541	(2 500)	24 041
Tax expenses	(6 282)	484	(6 766)
Profit for the reporting period	15 259	(2 016)	17 275
Profit attributable to:			
Ordinary equity holders	13 917	(1 986)	15 903
Non-controlling interest – ordinary shares	801	(30)	831
Non-controlling interest – preference shares	351	—	351
Non-controlling interest – Additional Tier 1 capital	190	—	190
	15 259	(2 016)	17 275
Headline earnings	14 142	(1 986)	16 128
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.65	n/a	4.64
Credit loss ratio on gross loans and advances to customers and banks	0.73	n/a	0.73
Non-interest income as % of total income	42.8	n/a	42.6
Income growth	4	n/a	4
Operating expenses growth	8	n/a	5
Cost-to-income ratio	61.2	n/a	57.7
Effective tax rate	29.2	n/a	28.1
Statement of financial position (Rm)			
Loans and advances to customers	841 720	—	841 720
Loans and advances to banks	53 140	—	53 140
Investment securities	135 420	—	135 420
Other assets	258 464	3 192	255 272
Total assets	1 288 744	3 192	1 285 552
Deposits due to customers	736 305	—	736 305
Debt securities in issue	160 971	—	160 971
Other liabilities	269 862	(5 561)[1]	275 423
Total liabilities	1 167 138	(5 561)	1 172 699
Equity	121 606	8 753	112 853
Total equity and liabilities	1 288 744	3 192	1 285 552
Key performance ratios (%)			
RoA	1.17	n/a	1.34
RoE	13.4	n/a	16.8
Capital adequacy	16.1	n/a	15.4
Common Equity Tier 1	12.8	n/a	12.0
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 700.4	n/a	1 910.0

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Normalised salient features

for the reporting period ended

	30 June 2019	30 June 2018	Change %	31 December 2018
Statement of comprehensive income (Rm)				
Income[1]	**39 071**	36 728	6	75 660
Operating expenses	**22 136**	20 834	6	43 642
Profit attributable to ordinary equity holders	**8 258**	7 972	4	15 903
Headline earnings	**8 267**	8 043	3	16 128
Statement of financial position				
Loans and advances to customers (Rm)[1]	**882 365**	781 171	13	841 720
Total assets (Rm)[1]	**1 372 797**	1 243 080	10	1 285 552
Deposits due to customers (Rm)	**797 708**	714 491	12	736 305
Loans to deposits and debt securities ratio (%)[1]	**91.7**	91.3		93.8
Average loans to deposits and debt securities ratio (%)	**86.8**	89.4		88.9
Financial performance (%)				
Return on equity (RoE)[1]	**16.4**	17.1		16.8
Return on average assets (RoA)	**1.26**	1.40		1.34
Return on risk-weighted assets (RoRWA)[1]	**2.02**	2.21		2.12
Stage 3 loans ratio on gross loans and advances	**4.79**	5.31		5.10
Operating performance (%)				
Net interest margin on average interest-bearing assets[1]	**4.52**	4.69		4.64
Credit loss ratio on gross loans and advances to customers and banks[1]	**0.79**	0.75		0.73
Non-interest income as percentage of total income[1]	**42.0**	43.2		42.6
Cost-to-income ratio[1]	**56.7**	56.7		57.7
Jaws[1]	**0**	(2)		(2)
Effective tax rate	**27.1**	27.8		28.1
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**845.7**	844.5		840.2
Weighted average number of ordinary shares in issue	**845.7**	844.7		842.9
Diluted weighted average number of ordinary shares in issue	**847.2**	847.1		844.4
Share statistics (cents)				
Headline earnings per ordinary share	**977.5**	952.2	3	1 913.4
Diluted headline earnings per ordinary share	**975.8**	949.5	3	1 910.0
Basic earnings per ordinary share	**976.5**	943.8	3	1 886.7
Diluted basic earnings per ordinary share	**974.7**	941.1	4	1 883.3
Dividend per ordinary share relating to income for the reporting period	**505**	490	3	1 110
Dividend cover (times)	**1.9**	1.9	—	1.7
NAV per ordinary share[1]	**12 335**	11 526	7	11 985
Tangible NAV per ordinary share[1]	**11 622**	10 935	6	11 273
Capital adequacy (%)				
Absa Group Limited	**15.4**	15.7		15.4
Absa Bank Limited	**15.8**	16.3		15.4
Common Equity Tier 1 (%)				
Absa Group Limited	**11.9**	12.2		12.0
Absa Bank Limited	**11.3**	11.9		11.2

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

Normalised salient features by segment

for the reporting period ended

	30 June			31 December
	2019	2018[1]	Change %	2018[1]
Headline earnings (Rm)				
RBB South Africa	**4 847**	4 658	4	9 722
CIB South Africa	**1 546**	1 721	(10)	3 422
Absa Regional Operations	**1 727**	1 599	8	3 140
Head Office, Treasury and other operations in South Africa	**147**	65	>100	(156)
Return on average risk-weighted assets (%)				
RBB South Africa[2]	**2.67**	2.82		2.84
CIB South Africa	**1.48**	1.79		1.75
Absa Regional Operations	**1.64**	1.92		1.70
Return on regulatory capital (%)				
RBB South Africa	**22.5**	22.8		23.3
CIB South Africa	**13.3**	16.3		15.9
Absa Regional Operations[3]	**18.5**	19.5		18.1
Credit loss ratio (%)				
RBB South Africa	**1.12**	0.99		0.92
CIB South Africa	**0.18**	0.30		0.36
Absa Regional Operations	**0.94**	0.72		0.78
Loans and advances to customers (Rm)				
RBB South Africa	**490 493**	459 091	7	471 655
CIB South Africa	**289 028**	233 322	24	273 169
Absa Regional Operations	**102 028**	87 504	17	96 214
Head Office, Treasury and other operations in South Africa	**816**	1 254	(35)	682
Deposits due to customers (Rm)				
RBB South Africa	**349 121**	309 806	13	338 235
CIB South Africa	**207 741**	183 733	13	173 832
Absa Regional Operations	**139 901**	127 459	10	133 656
Head Office, Treasury and other operations in South Africa	**100 945**	93 493	8	90 582

1 These numbers have been restated, refer to the reporting changes overview on the inside front cover.
2 The RoRWA includes Insurance cluster returns, but risk weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.
3 As Absa Regional Operations consists primarily of a set of legal entities, the denominator in the return on regulatory capital for Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

Profit commentary

Salient features

- Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.
- Diluted normalised HEPS grew 3% to 975.8 cents from 949.5 cents.
- The Group declared a 3% higher interim dividend per share of 505 cents.
- RBB SA headline earnings grew 4% to R4.8bn, CIB South Africa declined 10% to R1.5bn and Absa Regional Operations (ARO) rose 8% to R1.7bn.
- Normalised RoE decreased to 16.4% from 17.1%.
- Normalised revenue grew 6% to R39.1bn and operating expenses rose 6% to R22.1bn, resulting in a flat 56.7% cost-to-income ratio.
- Pre-provision profit increased 7% to R16.9bn on a normalised basis.
- Credit impairments increased 19% to R3.7bn, resulting in a 0.79% credit loss ratio from 0.75%.
- Absa Group's normalised Common Equity Tier 1 (CET 1) ratio of 11.9% remains above regulatory requirements and at the top end of our Board target range.
- Normalised NAV per share rose 7% to 12 335 cents.

Normalised reporting

Given the process of separating from Barclays PLC, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance. The Group will continue to present normalised results for future periods where the financial impact of separation is considered material.

Normalisation adjusted for the following income statement items: R113m of interest earned on Barclays PLC's separation contribution (30 June 2018: R175m); R32m of foreign currency revaluation losses (30 June 2018: R413m gains); operating expenses of R863m (30 June 2018: R1 364m) and R40m of indirect taxation in other expenses (30 June 2018: R76m), plus a R181m tax impact of the aforementioned (30 June 2018: R133m) items. In total, these adjustments added R617m to the Group's normalised headline earnings during the period (30 June 2018: R719m). Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Overview of results

On a normalised basis, Absa Group's headline earnings grew 3% to R8 267m from R8 043m and diluted HEPS rose 3% to 975.8 cents from 949.5 cents. The Group's normalised RoE is 16.4% from 17.1% and its return on assets is 1.26% from 1.40%. Revenue grew 6% to R39.1bn, with net interest income and non-interest income rising 9% and 3% respectively. The Group's net interest margin (on average interest-bearing assets) decreased to 4.52% from 4.69%. Gross loans and advances to customers grew 12% to R912bn, while deposits due to customers rose 12% to R798bn. With operating expenses growing 6%, the normalised cost-to-income ratio was flat at 56.7% and pre-provision profit rose 7% to R16.9bn. In constant currency, pre-provision profit grew 5% and headline earnings 1%. Credit impairments increased 19% to R3.7bn, resulting in a 0.79% credit loss ratio from 0.75%. The Group's normalised NAV per share increased 7% to 12 335 cents and it declared a 3% higher interim DPS of 505 cents.

RBB South Africa's headline earnings rose 4% to R4 847m as pre-provision profits increased 8% to outweigh 20% higher credit impairments. Everyday Banking headline earnings grew 11% to R1 998m, Relationship Banking increased 4% to R1 684m and the Insurance Cluster grew 7% to R584m, while Home Loans declined 7% to R750m and Vehicle and Asset Finance grew significantly to R122m. CIB South Africa's earnings declined 10%, as revenue decreased 5%. Corporate South Africa fell 4% to R539m due to higher credit impairments and Investment Banking South Africa decreased 13% to R1 007m as revenue fell 16% ARO headline earnings grew 8% to R1 727m, as 21% pre-provision profit growth outweighed 64% higher credit impairments.

South African earnings grew 1% to R6 517m, while Africa Regions rose 12%, or 4% in constant currency, to R1 750m and accounted for 21% of Group earnings.

Profit commentary

Operating environment

The global economy slowed in the second quarter as United States growth slipped to 2.1% and European Union growth declined to 0.8%, both on a quarterly annualised basis, while China slowed to 6.2% from a year earlier. Forward-looking indicators point to further slowing in global growth in the second half, leading the International Monetary Fund to reduce its forecast for 2019 global growth slightly to 3.2%. Global inflation has remained within or below central bank targets across advanced and many emerging market economies. Consistent with easing growth and inflation, global central banks have turned more cautious on the outlook, signalling a move toward easing monetary policy.

South Africa's economy contracted by 3.2% during the first quarter, marking the worst quarterly contraction since 2009. Manufacturing, mining and trade sectors were the largest negative contributors, mostly due to load shedding in March. Political and policy uncertainty continued to weigh on business confidence. Consumer spending contracted in the first quarter, reflecting the weak labour market, moderating confidence and slowing income growth. Growth in consumer credit has been muted. Headline consumer price inflation has been benign, averaging 4.3% in the first half, due to contained food price inflation, slowing wage inflation and general weakness in domestic demand. The South African Reserve Bank left the repurchase rate unchanged at 6.75% in the half.

Economic growth in our key ARO countries faced uncertainties and headwinds in the first half. Real GDP data for the first quarter show that activity slowed in most countries, reflecting limited fiscal space and drought. Headline inflation in several markets remained elevated, driven by weaker currencies and rising food prices. Monetary policy was unchanged in most of our presence markets in the first half of 2019, although Ghana cut interest rates by 100 bps in January 2019.

Group performance

Statement of financial position

Normalised total assets increased 10% to R1 372bn at 30 June 2019, largely due to 13% growth in net loans and advances to customers.

Gross loans and advances to customers

Gross loans and advances to customers increased 12% to R912bn. RBB South Africa gross loans rose 7% to R514bn. Credit cards grew 12% to R45bn and personal and term loans 16% to R50bn, while instalment credit rose 11% to R90bn and mortgages increased 3% to R266bn. CIB South Africa's gross loans grew 23% to R291bn, including 6% higher term loans to R108bn and reverse repurchase agreements increased 80% to R45bn. CIB SA's gross loans grew 5% from 31 December 2018. Absa Regional Operations' gross loans increased 15% to R107bn, or 16% in constant currency.

Funding

Deposits due to customers grew 12% to R798bn, resulting in the Group's loans to deposits and debt securities ratio remaining stable at 91.7%. Deposits due to customers constituted 74% of total funding. RBB South Africa's deposits grew 13% to R349bn, CIB South Africa's deposits grew 13% to R208bn, while Absa Regional Operations' deposits increased 10% to R140bn, or 11% in constant currency.

Net asset value

The Group's normalised NAV rose 7% to R104bn and its NAV per share grew 7% to 12 335 cents (30 June 2018: 11 526 cents). Profit of R8.3bn was generated, from which R5.2bn of dividends were paid and its foreign currency translation reserve decreased by R1.0bn, which was offset by an increase in the cash flow hedging reserve.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 10% to R844bn at 30 June 2019, largely due to 10% higher credit RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. Its normalised CET 1 and total capital adequacy ratios were 11.9% and 15.4% respectively (from 12.2% and 15.7%). The Group generated 2.0% of CET 1 capital internally over the past year. Declaring a 3% higher interim DPS of 505 cents on a dividend cover of 1.9 times took into account the operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Profit commentary

Group performance *(continued)*

Statement of comprehensive income

The commentary below refers to normalised financial results.

Net interest income

Net interest income increased 9% to R22 667m from R20 874m, while average interest-bearing assets grew 13% to R1.0tn. The Group's net interest margin (to average interest-bearing assets) declined to 4.52% from 4.69% or 4.59% in the second half of 2018.

Loan pricing declined 7 bps, mostly due to Investment Bank South Africa's strong growth in preference shares, as well as higher suspended interest. Pricing was lower in Relationship Banking, while front book margins improved in Home Loans and Personal Loans. Loan mix added 3 bps, since slower growth in Home Loans than the overall book was positive, although this was partially offset by strong CIB growth. Deposit pricing reduced 3 bps due to competitive pricing in Everyday and Relationship Banking. Increased reliance on wholesale funding and stronger growth in lower margin Everyday Banking deposits had a 2 bps adverse composition impact. There was a 5 bps negative impact from equity and deposit endowment income given slower growth in these balances than in overall interest-bearing assets. The Group hedges structural balances amounting to 13% of our South African capital and liabilities. This hedge released R239m, or 5 bps, to the income statement, which was in line with the previous period. Absa Regional Operations reduced the Group's margin by 1 bps, given lower benchmark rates in many of the markets and competitive pricing of foreign currency assets and liabilities. Adopting IFRS 16 reduced the margin by 3 bps.

Non-interest income

Non-interest income grew 3% to R16 404m from R15 854m to account for 42% of total revenue from 43%. On a constant currency basis, the growth was 2%.

Net fee and commission income grew 5% to R11 580m, which represented 71% of total non-interest income, with transactional fees and commissions, and merchant income increasing 6% to R10 263m and 11% to R1 074m respectively.

Net trading excluding hedge accounting fell 11% to R2 247m, reflecting Markets in South Africa falling 28%, while Absa Regional Operations increased 24%.

RBB South Africa grew 8% to R11 590m, mainly driven by growth in Everyday Banking 11%, Relationship Banking 4% and Insurance Cluster 5%. CIB South Africa decreased 20% to R1 789m, as the Investment Bank fell 33%, partly offset by an increase in Corporate of 12%. ARO grew 19% to R2 895m, or 12% in constant currency, as CIB increased 23% and RBB 15%.

Impairment losses (credit impairments)

Credit impairments increased 19% to R3 695m from R3 117m, which increased the Group's credit loss ratio to 79 bps from 75 bps of gross loans and advances to customers and banks. The Group's credit loss ratio is expected to range between 75 and 100 bps through-the-cycle.

RBB South Africa credit impairments grew 20% to R2 876m, resulting in a 112 bp credit loss ratio from 99 bps. Home Loans' charge increased materially to R147m resulting in a 13 bps credit loss ratio from 5 bps. Everyday Banking's credit loss ratio increased to 493 bps from 458 bps, given 19% higher credit impairments of R1 995m. Vehicle and Asset Finance credit impairments grew 7% to R548m, reducing its credit loss ratio to 139 bps from 142 bps. Relationship Banking's charge grew 26% to R188m and its credit loss ratio increased to 32 bps from 28 bps.

CIB South Africa's credit impairments declined 25% to R284m from R381m, improving its credit loss ratio to 18 bps from 30 bps. Corporate's charge increased materially to R266m, while the Investment Bank's fell 95% to R18m.

Absa Regional Operations' credit impairments grew 64% (CCY: 52%) to R548m from R335m, increasing its credit loss ratio to 94 bps from 72 bps. Within this, RBB's charge grew 38% to R439m, resulting in a 174 bps credit loss ratio, while CIB's increased materially to R118m or a 44 bps credit loss ratio.

At 30 June 2019, the Group's stage 3 (defaulted) loans were 4.8% of gross loans and advances from 5.3% at 30 June 2018 and the coverage ratios on these were 44.3% and 45.0% respectively.

Profit commentary

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Operating expenses

Group operating expenses grew 6%, or 5% in constant currency, to R22 136m from R20 834m, resulting in a flat 56.7% cost-to-income ratio year-on-year.

Staff costs grew 8% and accounted for 57% of total operating expenses. Salaries rose 12% with almost half of the increase due to restructuring costs. Bonuses and deferred cash and share-based payments decreased 13% to R1 023m, reflecting provision adjustments on variable compensation schemes.

Non-staff costs grew 4% or 2% in constant currency. Professional fees grew 3% to R736m, while telephone and postage increased 28% and printing and stationary was flat. Marketing costs decreased 21% to R581m reflecting lower product campaign spend. IT spend grew 17% to R1 869m. Total IT-related grew 13% to R4 495m and constituted 20% of Group operating expenses. Amortisation of intangible assets rose 29% to R468m, while cash transportation increased 5% to R640m. Depreciation increased 54% largely from adopting IFRS 16, where right-of-use assets of R3.4bn were recognised at the adoption date on 1 January 2019. This recognition resulted in a corresponding 86% decrease in operating leases on properties.

RBB South Africa's costs grew 4% to R13 976m, resulting in 57.4% cost-to-income ratio from 58.4%. The largest components, Everyday Banking and Relationship Banking, increased costs 4% and 2% respectively. Home Loans costs grew 2%, while Vehicle and Asset Finance decreased 2% and the Insurance Cluster increased 13%.

CIB South Africa expenses grew 5% to R3 113m, with Corporate costs flat and the Investment Bank up 10%, mainly due to incremental run costs after separating from Barclays PLC.

Absa Regional Operations' expenses increased 16%, or 8% in constant currency, to R5 074m, as incremental run costs from the Barclays PLC separation was partly offset by branch optimisation. Its cost-to-income ratio improved to 56.8% from 57.9%. CIB ARO costs grew 22%, or 14% in constant currency, and RBB ARO increased 13%, or 5% in constant currency.

Taxation

The Group's taxation expense increased 2% to R3 385m, slightly less than the 4% higher pre-tax profit, resulting in a 27.1% effective tax rate from 27.8%.

Segment performance

RBB South Africa

Headline earnings increased 4% to R4 847m, as pre-provision profits increased 8%, which was partially offset by 20% higher credit impairments at R2 876m. Revenue grew 6% to R24 350m, with non-interest income increasing 8%, while costs rose 4% to R13 976m. Everyday Banking headline earnings increased 11% to R1 998m and Relationship Bank grew 4% to R1 684m, while the Insurance Cluster's headline earnings rose 7% to R584m. Home Loans decreased 7% to R750m and Vehicle and Asset Finance grew to R122m from R26m. RBB South Africa generated a return on regulatory capital (RoRC) of 22.5% and constituted 60% of total normalised headline earnings excluding the Group centre.

CIB South Africa

Headline earnings decreased 10% to R1 546m. Pre-provision profits fell 16%, as revenue declined 5% to R5 312m and costs rose 5% to R3 113m. Credit impairments reduced 25% to R284m. Investment Bank earnings decreased 13% to R1 007m due to lower revenue, while Corporate declined 4% due to higher credit impairments. CIB South Africa contributed 19% of total normalised headline earnings excluding the Group centre and generated a 13.3% RoRC.

Absa Regional Operations

Headline earnings grew 8% to R1 727m, which was flat in constant currency. Pre-provision profits grew 21%. Revenue grew 18%, or 10% in constant currency, to R8 938m. Costs increased 16% to R5 074m, or 8% in constant currency. RBB ARO headline earnings increased 2% (CCY: down 4%) to R417m, as positive JAWS offset 38% (CCY: 28%) higher credit impairments. CIB ARO headline earnings grew 3% (CCY: down 4%), despite negative JAWS and higher credit impairments. The weaker rand added 8% to ARO's earnings and revenue growth. ARO accounted for 21% of total normalised headline earnings excluding the Group centre and produced an 18.5% RoE.

Profit commentary

Prospects

South Africa's economic growth outlook appears muted. We forecast 0.5% real GDP growth in 2019 with a modest rise to 1.6% in 2020. The prospects for stronger growth are constrained by the slowing global economy, plus weak business sentiment and decelerating household income growth in South Africa. Following the 25 bps cut in the repurchase rate in July, we expect the Reserve Bank to leave interest rates unchanged for some time.

In our ARO markets, we forecast average real GDP growth for those markets of 5.5% for 2019 and 5.9% for 2020 with risks tilted to the downside. Ghana, Kenya and Uganda are expected to continue recording strong growth, although the recovery in other markets is unlikely to be smooth. Downside risks to the region include upcoming elections, slow pace of economic reforms and rising fiscal and debt risks. Global uncertainties will continue to weigh on the region's currency, inflation and interest rate outlook.

Based on these assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, our guidance for 2019 has changed slightly. We continue to expect stronger deposit growth this year, which should exceed our loan growth. We expect better loan growth from ARO in constant currency than from South Africa. RBB SA's loan growth momentum should continue, although CIB is likely to slow given a high base. Our net interest margin is likely to decline this year. Costs will remain well controlled and we are targeting flat to positive operating JAWS for the full year. Our credit loss ratio is likely to be similar to 2018. Our CET 1 ratio should remain at the top end of our Board target range and we are comfortable with our dividend cover at 2018 levels. Lastly, our RoE is likely to be marginally lower in 2019, given our weak Markets performance year to date. However, we remain committed to our RoE target of 18% to 20% in 2021.

Basis of presentation

Basis of presentation

The Group's interim financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Group's most recent audited annual consolidated financial statements.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of financial assets measured at amortised cost, goodwill impairment, fair value measurements, impairment of financial assets measured at fair value through other comprehensive income, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial statements are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2018 except for:

- Changes of the Group's operating segments and business portfolios, which have been presented in the report overview on the inside front cover;
- Adoption of new IFRS, specifically IFRS 16 Leases (IFRS 16) and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23);
- Amendments to IAS 19 Employee Benefits (IAS 19); and
- Change in the presentation of interest expense and similar charges in the statement of comprehensive income.

Events after the reporting period

The directors are not aware of any events (as defined by IAS 10 Events after the Reporting Period) after the reporting date of 30 June 2019 and the date of authorisation of these condensed consolidated interim financial statements.

On behalf of the Board

W E Lucas-Bull
Group Chairman

R van Wyk
Chief Executive Officer

J P Quinn
Financial Director

Johannesburg
12 August 2019

Dividend announcement

Declaration of interim ordinary dividend number 66

Shareholders are advised that an interim ordinary dividend of 505 cents per ordinary share was declared on 13 August 2019, for the period ended 30 June 2019. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 13 September 2019. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to local dividends withholding tax at a rate of 20%. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 505 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 404 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 16 545 370[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Tuesday, 10 September 2019
Shares commence trading ex-dividend	Wednesday, 11 September 2019
Record date	Friday, 13 September 2019
Payment date	Monday, 16 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019 and Friday, 13 September 2019, both dates inclusive. On Monday, 16 September 2019, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 16 September 2019.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
13 August 2019

Absa Group Limited is a company domiciled in South Africa. Its registered office is 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

[1] Includes 14 470 659 shares to be utilised when establishing a BBBEE structure.

Consolidated normalised statement of comprehensive income

for the reporting period ended

	Note	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Net interest income	2	**22 667**	20 874	9	43 425
Interest and similar income[1]		**47 923**	43 140	11	89 177
Effective interest income[1]		**47 210**	42 790	10	87 575
Other interest income		**713**	350	>100	1 602
Interest expense and similar charges[2]		**(25 256)**	(22 266)	13	(45 752)
Non-interest income	3	**16 404**	15 854	3	32 235
Net fee and commission income		**11 580**	10 991	5	22 523
Fee and commission income	3.1	**13 090**	12 604	4	25 675
Fee and commission expense	3.1	**(1 510)**	(1 613)	(6)	(3 152)
Net insurance premium income	3.2	**3 778**	3 465	9	7 190
Net claims and benefits incurred on insurance contracts	3.3	**(1 931)**	(1 741)	11	(3 565)
Changes in investment and insurance contract liabilities	3.4	**(1 238)**	(114)	>100	808
Gains and losses from banking and trading activities	3.5	**2 543**	2 664	(5)	5 270
Gains and losses from investment activities	3.6	**1 202**	243	>100	(636)
Other operating income	3.7	**470**	346	36	645
Total income[1]		**39 071**	36 728	6	75 660
Impairment losses[1]	4	**(3 695)**	(3 117)	19	(6 324)
Operating income before operating expenses		**35 376**	33 611	5	69 336
Operating expenses	5	**(22 136)**	(20 834)	6	(43 642)
Other expenses		**(853)**	(888)	(4)	(1 832)
Other impairments		**(44)**	(184)	(76)	(434)
Indirect taxation	6	**(809)**	(704)	15	(1 398)
Share of post-tax results of associates and joint ventures		**93**	56	66	179
Operating profit before income tax		**12 480**	11 945	4	24 041
Taxation expense	7	**(3 385)**	(3 322)	2	(6 766)
Profit for the reporting period		**9 095**	8 623	5	17 275
Profit attributable to:					
Ordinary equity holders		**8 258**	7 972	4	15 903
Non-controlling interest – ordinary shares		**494**	379	30	831
Non-controlling interest – preference shares		**174**	176	(1)	351
Non-controlling interest – Additional Tier 1 capital		**169**	96	76	190
		9 095	8 623	5	17 275
Earnings per share:					
Basic earnings per share (cents)	1	**976.5**	943.8	3	1 886.7
Diluted earnings per share (cents)	1	**974.7**	941.1	4	1 883.3

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

[2] The Group has elected to change its accounting policy to no longer present other interest expense and similar charges separately from interest expense calculated using the effective interest method. This results in more relevant information as in this manner, the Group achieves consistency with its peers. This does not impact on the prior reporting periods' results, as total other interest expense and similar charges were Rnil.

Consolidated normalised statement of comprehensive income

for the reporting period ended

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Profit for the reporting period	**9 095**	8 623	5	17 275
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(25)**	3	<(100)	53
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**2**	2	—	27
Fair value gains	**3**	2	50	38
Deferred tax	**(1)**	—	100	(11)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(20)**	5	<(100)	(13)
Fair value losses	**(28)**	(45)	(38)	(71)
Deferred tax	**8**	50	(84)	58
Movement in retirement benefit fund assets and liabilities	**(7)**	(4)	75	39
Decrease in retirement benefit surplus	**(11)**	(6)	83	(26)
Decrease in retirement benefit deficit	**1**	1	—	55
Deferred tax	**3**	1	>100	10
Items that are or may be subsequently reclassified to profit or loss	**114**	2 024	(94)	2 221
Movement in foreign currency translation reserve	**(1 006)**	2 382	<(100)	3 058
Differences in translation of foreign operations[1]	**(1 006)**	2 382	<(100)	3 058
Movement in cash flow hedging reserve	**971**	(588)	<(100)	(247)
Fair value gains/(losses)	**1 696**	(737)	<(100)	265
Amounts transferred within other comprehensive income	**(5)**	—	100	(58)
Amount removed from other comprehensive income and recognised in profit or loss	**(342)**	(80)	>100	(550)
Deferred tax	**(378)**	229	<(100)	96
Movement in fair value of debt instruments measured at FVOCI	**149**	230	(35)	(590)
Fair value gains/(losses)	**198**	331	(40)	(750)
Release to profit or loss	**—**	3	(100)	(9)
Deferred tax	**(49)**	(104)	(53)	169
Total comprehensive income for the reporting period	**9 184**	10 650	(14)	19 549
Total comprehensive income attributable to:				
Ordinary equity holders[1]	**8 377**	9 667	(13)	17 808
Non-controlling interest – ordinary shares	**464**	711	(35)	1 200
Non-controlling interest – preference shares	**174**	176	(1)	351
Non-controlling interest – Additional Tier 1 capital	**169**	96	76	190
	9 184	10 650	(14)	19 549

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

Consolidated normalised statement of financial position

as at

	Note	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Assets					
Cash, cash balances and balances with central banks		**52 489**	48 578	8	46 929
Investment securities		**129 487**	127 437	2	135 420
Loans and advances to banks		**66 947**	62 843	7	53 140
Trading portfolio assets		**134 595**	124 982	8	128 569
Hedging portfolio assets		**3 361**	2 325	45	2 411
Other assets[1]		**52 646**	49 446	6	30 455
Current tax assets[1]		**1 100**	1 268	(13)	802
Non-current assets held for sale		**148**	79	87	239
Loans and advances to customers[1]	8	**882 365**	781 171	13	841 720
Reinsurance assets		**1 085**	905	20	618
Investments linked to investment contracts		**19 516**	19 194	2	18 481
Investments in associates and joint ventures[1]		**1 520**	1 187	28	1 310
Investment property		**503**	420	20	508
Property and equipment		**18 042**	15 556	16	15 536
Goodwill and intangible assets		**6 030**	4 984	21	5 983
Deferred tax assets[1]		**2 963**	2 705	10	3 431
Total assets		**1 372 797**	1 243 080	10	1 285 552
Liabilities					
Deposits from banks		**116 687**	88 466	32	121 421
Trading portfolio liabilities		**50 036**	67 697	(26)	51 632
Hedging portfolio liabilities		**1 294**	1 339	(3)	1 343
Other liabilities[1]		**59 646**	53 821	11	36 058
Provisions		**2 704**	2 515	8	3 893
Current tax liabilities		**263**	481	(45)	693
Non-current liabilities held for sale		**121**	7	>100	124
Deposits due to customers	9	**797 708**	714 491	12	736 305
Debt securities in issue	10	**164 321**	140 782	17	160 971
Loans from Barclays separation segment		**4 332**	8 691	(50)	5 711
Liabilities under investment contracts		**30 235**	30 546	(1)	29 674
Policyholder liabilities under insurance contracts		**4 806**	4 570	5	4 168
Borrowed funds	11	**21 942**	21 448	2	20 225
Deferred tax liabilities		**520**	239	>100	481
Total liabilities		**1 254 615**	1 135 093	11	1 172 699
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 691**	1 689	0	1 680
Share premium	11	**4 272**	4 302	(1)	3 657
Retained earnings[1]		**91 789**	85 459	7	89 124
Other reserves[1]		**6 564**	5 879	12	6 239
		104 316	97 329	7	100 700
Non-controlling interest – ordinary shares[1]		**4 803**	4 514	6	4 768
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**4 419**	1 500	>100	2 741
Total equity		**118 182**	107 987	9	112 853
Total liabilities and equity		**1 372 797**	1 243 080	10	1 285 552

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

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6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	840 193	1 680	3 657	89 124	6 239	823
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	(243)	—	—
Adjusted balance at the beginning of the reporting period	840 193	1 680	3 657	88 881	6 239	823
Total comprehensive income	—	—	—	8 232	145	—
Profit for the period	—	—	—	8 258	—	—
Other comprehensive income	—	—	—	(26)	145	—
Dividends paid during the reporting period	—	—	—	(5 170)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(249)	(7)	—	—
Elimination of the movement in treasury shares held by Group entities	5 483	11	615	—	—	—
Movement in share-based payment reserve	—	—	249	—	33	—
Transfer from share-based payment reserve	—	—	249	—	(249)	—
Value of employee services	—	—	—	—	255	—
Deferred tax	—	—	—	—	27	—
Movement in general credit risk reserve	—	—	—	(43)	43	43
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(11)	11	—
Share of post-tax results of associates and joint ventures	—	—	—	(93)	93	—
Balance at the end of the reporting period	845 676	1 691	4 272	91 789	6 564	866

30 June 2019

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
(80)	403	3 065	7	724	1 297	100 700	4 768	4 644	2 741	112 853
—	—	—	—	—	—	(243)	(13)	—	—	(256)
(80)	403	3 065	7	724	1 297	100 457	4 755	4 644	2 741	112 597
126	971	(952)	—	—	—	8 377	464	174	169	9 184
—	—	—	—	—	—	8 258	494	174	169	9 095
126	971	(952)	—	—	—	119	(30)	—	—	89
—	—	—	—	—	—	(5 170)	(424)	(174)	—	(5 768)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(169)	(169)
—	—	—	—	—	—	—	—	—	1 678	1 678
—	—	—	—	—	—	(256)	—	—	—	(256)
—	—	—	—	—	—	626	—	—	—	626
—	—	—	—	33	—	282	(2)	—	—	280
—	—	—	—	(249)	—	—	—	—	—	—
—	—	—	—	255	—	255	(2)	—	—	253
—	—	—	—	27	—	27	—	—	—	27
—	—	—	—	—	—	—	—	—	—	—
—	—	—	11	—	—	—	—	—	—	—
—	—	—	—	—	93	—	—	—	—	—
46	1 374	2 113	18	757	1 390	104 316	4 803	4 644	4 419	118 182

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	845 554	1 691	3 949	87 982	4 240	779
Impact of adopting new accounting standards at 1 January 2018						
IFRS 9[1]	—	—	—	(5 413)	(126)	—
IFRS 15	—	—	—	(44)	—	—
Adjusted balance at the beginning of the reporting period	845 554	1 691	3 949	82 525	4 114	779
Total comprehensive income[1]	—	—	—	7 973	1 694	—
Profit for the period	—	—	—	7 972	—	—
Other comprehensive income[1]	—	—	—	1	1 694	—
Dividends paid during the reporting period	—	—	—	(4 962)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(236)	(44)	—	—
Elimination of the movement in treasury shares held by Group entities	(1 097)	(2)	353	—	—	—
Movement in share-based payment reserve	—	—	236	—	38	—
Transfer from share-based payment reserve	—	—	236	—	(236)	—
Value of employee services	—	—	—	—	302	—
Deferred tax	—	—	—	—	(28)	—
Movement in general credit-risk reserve	—	—	—	24	(24)	(24)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—
Share of post-tax results of associates and joint ventures	—	—	—	(56)	56	—
Balance at the end of the reporting period	844 457	1 689	4 302	85 459	5 879	755

[1] These numbers have been restated, refer to the report overview on the inside cover page.

30 June 2018

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
445	650	431	6	707	1 222	97 862	4 500	4 644	1 500	108 506
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	707	1 118	92 279	4 270	4 644	1 500	102 693
227	(588)	2 055	—	—	—	9 667	711	176	96	10 650
—	—	—	—	—	—	7 972	379	176	96	8 623
227	(588)	2 055	—	—	—	1 695	332	—	—	2 027
—	—	—	—	—	—	(4 962)	(467)	(176)	—	(5 605)
—	—	—	—	—	—	—	—	—	(96)	(96)
—	—	—	—	—	—	(280)	—	—	—	(280)
—	—	—	—	—	—	351	—	—	—	351
—	—	—	—	38	—	274	—	—	—	274
—	—	—	—	(236)	—	—	—	—	—	—
—	—	—	—	302	—	302	—	—	—	302
—	—	—	—	(28)	—	(28)	—	—	—	(28)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	56	—	—	—	—	—
650	62	2 486	7	745	1 174	97 329	4 514	4 644	1 500	107 987

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	845 554	1 691	3 949	87 982	4 240	779
Impact of adopting new accounting standards at 1 January 2018						
IFRS 9	—	—	—	(5 413)	(126)	—
IFRS 15	—	—	—	(44)	—	—
Adjusted balance at the beginning of the reporting period	845 554	1 691	3 949	82 525	4 114	779
Total comprehensive income	—	—	—	15 924	1 884	—
Profit for the period	—	—	—	15 903	—	—
Other comprehensive income	—	—	—	21	1 884	—
Dividends paid during the reporting period	—	—	—	(9 033)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(491)	(68)	—	—
Elimination of the movement in treasury shares held by Group entities	(5 361)	(11)	(292)	—	—	—
Movement in share-based payment reserve	—	—	491	—	17	—
Transfer from share-based payment reserve	—	—	491	—	(491)	—
Value of employee services	—	—	—	—	531	—
Deferred tax	—	—	—	—	(23)	—
Movement in general credit-risk reserve	—	—	—	(44)	44	44
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—
Share of post-tax results of associates and joint ventures	—	—	—	(179)	179	—
Balance at the end of the reporting period	840 193	1 680	3 657	89 124	6 239	823

31 December 2018

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
445	650	431	6	707	1 222	97 862	4 500	4 644	1 500	108 506
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	707	1 118	92 279	4 270	4 644	1 500	102 693
(503)	(247)	2 634	—	—	—	17 808	1 200	351	190	19 549
—	—	—	—	—	—	15 903	831	351	190	17 275
(503)	(247)	2 634	—	—	—	1 905	369	—	—	2 274
—	—	—	—	—	—	(9 033)	(702)	(351)	—	(10 086)
—	—	—	—	—	—	—	—	—	(190)	(190)
—	—	—	—	—	—	—	—	—	1 241	1 241
—	—	—	—	—	—	(559)	—	—	—	(559)
—	—	—	—	—	—	(303)	—	—	—	(303)
—	—	—	—	17	—	508	—	—	—	508
—	—	—	—	(491)	—	—	—	—	—	—
—	—	—	—	531	—	531	—	—	—	531
—	—	—	—	(23)	—	(23)	—	—	—	(23)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	179	—	—	—	—	—
(80)	403	3 065	7	724	1 297	100 700	4 768	4 644	2 741	112 853

Condensed consolidated normalised statement of cash flows

for the reporting period ended

	Note	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Net cash generated from/(utilised in) operating activities		**1 439**	(2 184)	<(100)	11 900
Net cash utilised in investing activities		**(2 172)**	(993)	>100	(4 593)
Net cash utilised in financing activities		**(2 332)**	(141)	>100	(6 521)
Net (decrease)/increase in cash and cash equivalents		**(3 065)**	(3 318)	(8)	786
Cash and cash equivalents at the beginning of the reporting period	1	**18 494**	17 320	7	17 320
Effect of foreign exchange rate movements on cash and cash equivalents		**(318)**	361	<(100)	388
Cash and cash equivalents at the end of the reporting period	2	**15 111**	14 363	5	18 494

Notes to the condensed consolidated normalised statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Cash, cash balances and balances with central banks[1]	**14 252**	13 518	5	13 518
Loans and advances to banks[2]	**4 242**	3 802	12	3 802
	18 494	17 320	7	17 320

2. Cash and cash equivalents at the end of the reporting period

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Cash, cash balances and balances with central banks[1]	**11 241**	10 428	8	14 252
Loans and advances to banks[2]	**3 870**	3 935	(2)	4 242
	15 111	14 363	5	18 494

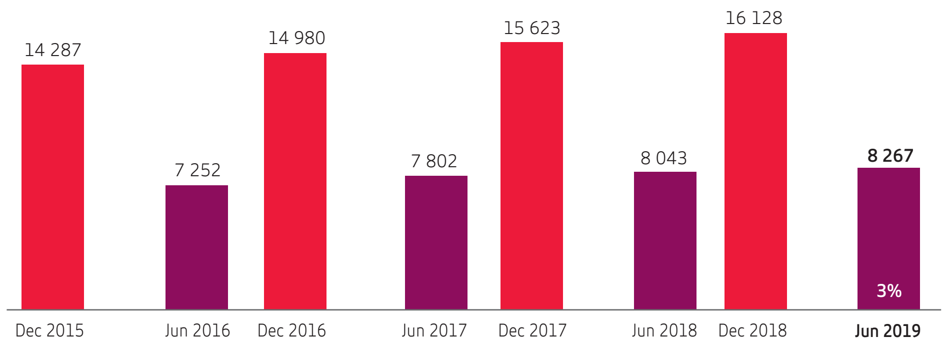
[1] Includes coins and bank notes.
[2] Includes call advances, which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



	30 June					31 December	
	2019		2018			2018	
Headline earnings	**Gross Rm**	**Net Rm**	Gross Rm	Net Rm	Net change %	Gross Rm	Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		**8 258**		7 972	4		15 903
Total headline earnings adjustment		**9**		71	(87)		225
IFRS 3 – Goodwill impairment	**—**	**—**	—	—	—	34	34
IFRS 5 – Profit on disposal of non-current assets held for sale	**(14)**	**(12)**	(121)	(73)	(84)	(142)	(80)
IAS 16 – (Profit)/Loss on disposal of property and equipment	**(7)**	**(6)**	5	3	<(100)	5	2
IAS 36 – Impairment of property and equipment	**44**	**33**	182	141	(77)	398	297
IAS 36 – Impairment of intangible assets	**—**	**—**	—	—	—	2	1
IFRS 5 – Remeasurement of non-current assets held for sale	**(9)**	**(6)**	—	—	100	—	—
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	—	(38)	(29)
		8 267		8 043	3		16 128

Notable adjustments to headline earnings

- 'Profit on disposal of non-current assets held for sale' relates to the disposal of held for sale properties.
- '(Profit)/Loss on disposal of property and equipment' is attributable to the sale of freehold property and equipment.
- 'Impairment of property and equipment' mainly relates to a property located in the Johannesburg City Centre, as well as branch assets.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share (continued)

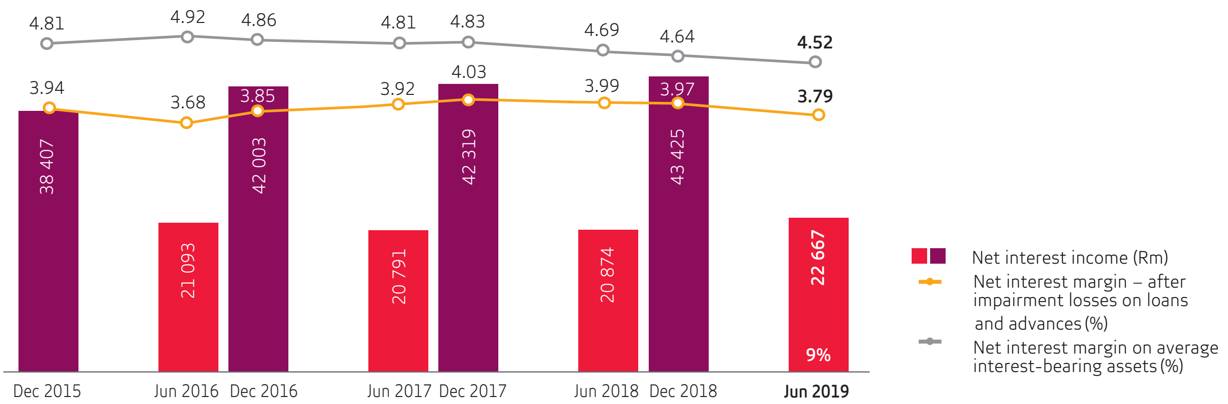
	30 June			31 December
	2019 Rm	2018 Rm	Change value/ %	2018 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 258**	7 972	4	15 903
Weighted average number of ordinary shares in issue (million)	**845.7**	844.7	1.0	842.9
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(2.1)**	(3.1)	1.0	(4.9)
Basic earnings per ordinary share (cents)	**976.5**	943.8	3	1 886.7
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**8 258**	7 972	4	15 903
Diluted weighted average number of ordinary shares in issue (million)	**847.2**	847.1	0.1	844.4
Weighted average number of ordinary shares in issue (million)	**845.7**	844.7	1.0	842.9
Adjustments for share options issued at no value (million)	**1.5**	2.4	(0.9)	1.5
Diluted basic earnings per ordinary share (cents)	**974.7**	941.1	4	1 883.3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 267**	8 043	3	16 128
Weighted average number of ordinary shares in issue (million)	**845.7**	844.7	1.0	842.9
Headline earnings per ordinary share (cents)	**977.5**	952.2	3	1 913.4
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**8 267**	8 043	3	16 128
Diluted weighted average number of ordinary shares in issue (million)	**847.2**	847.1	0.1	844.4
Diluted headline earnings per ordinary share (cents)	**975.8**	949.5	3	1 910.0

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin (Rm, % and change %)



Group average statement of financial position	30 June 2019 Average balance[1] Rm	30 June 2019 Average rate %	30 June 2019 Interest income/ (expense) Rm	30 June 2018[2] Average balance[1] Rm	30 June 2018[2] Average rate %	30 June 2018[2] Interest income/ (expense) Rm	31 December 2018 Average balance[1] Rm	31 December 2018 Average rate %	31 December 2018 Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**3 409**	**1.36**	**23**	4 480	0.41	9	3 194	0.59	19
Investment securities	**124 003**	**9.04**	**5 560**	105 257	8.79	4 587	113 642	8.97	10 193
Loans and advances to banks and customers	**882 975**	**9.67**	**42 340**	787 898	9.87	38 544	818 866	9.64	78 965
Interest-bearing assets	**1 010 387**	**9.56**	**47 923**	897 635	9.69	43 140	935 702	9.53	89 177
Non-interest-bearing assets	**312 579**	**—**	**—**	261 210	—	—	269 420	—	—
Total assets	**1 322 966**	**—**	**47 923**	1 158 845	—	43 140	1 205 122	—	89 177
Liabilities									
Deposits due to banks and customers	**731 054**	**(5.11)**	**(18 537)**	652 876	(4.92)	(15 919)	671 809	(4.82)	(32 405)
Debt securities in issue	**145 771**	**(8.00)**	**(5 784)**	133 135	(8.21)	(5 419)	136 257	(8.34)	(11 365)
Borrowed funds	**19 225**	**(9.81)**	**(935)**	17 090	(10.95)	(928)	18 632	(10.64)	(1 982)
Interest-bearing liabilities	**896 050**	**(5.68)**	**(25 256)**	803 101	(5.59)	(22 266)	826 698	(5.53)	(45 752)
Non-interest-bearing liabilities	**313 164**	**—**	**—**	251 296	—	—	271 940	—	—
Total liabilities	**1 209 214**	**(4.21)**	**(25 256)**	1 054 397	(4.26)	(22 266)	1 098 638	(4.16)	(45 752)
Total equity	**113 752**	**—**	**—**	104 448	—	—	106 484	—	—
Total equity and liabilities	**1 322 966**	**—**	**(25 256)**	1 158 845	—	(22 266)	1 205 122	—	(45 752)
Net interest margin on average interest-bearing assets		**4.52**			4.69			4.64	

[1] Average balances are calculated based on daily weighted average balances.
[2] These numbers have been restated, refer to the report overview on the inside front cover.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income (continued)

	30 June		31 December
Change in net interest margin	**2019 bps**	2018[1] bps	2018 bps
Loans and advances to customers (i)	**(4)**	(11)	(12)
Change in customer rates (pricing)[1]	**(7)**	(13)	(15)
Change in composition	**3**	2	3
Deposits due to customers (ii)	**(7)**	(1)	(8)
Change in customer rates (pricing)	**(3)**	(1)	(3)
Change in composition	**(2)**	3	(3)
Endowment (iii)	**(2)**	(3)	(2)
Equity endowment (iii)	**(3)**	(1)	(3)
Interest rate risk management (hedging strategy) (iii)	**—**	3	3
Absa Regional Operations (iv)	**(1)**	(1)	(2)
Other (v)	**(2)**	(1)	3
	(17)	(12)	(19)

Performance

The Group's net interest margin is 17 bps lower than the previous reporting period (2018: decreased by 12 bps) and reflects the following:

(i) Loans and advances to customers

- Loan margins declined primarily in Investment Bank SA (4 bps) following high growth in preference share investments as well as an increase in suspended interest. Lower client pricing within Relationship Banking had an adverse impact on margins, but was partially offset by improved front book margins in Home Loans and Personal Loans.
- Slower growth in the Home Loans portfolio relative to the Group's overall loans and advances growth created a positive composition impact. This was partially offset by strong growth in CIB SA.

(ii) Deposits due to customers

- Deposit margins declined mainly in RBB SA reflecting competitive pricing in Relationship and Everyday Banking.
- Increased reliance on wholesale funding and also low-margin deposits within RBB SA created an adverse composition effect.

[1] Change in customer rates (pricing) has been restated to reflect the impact of reclassifying recoveries on cured accounts from net interest income to impairments. The reclassification was implemented after the International Financial Reporting Interpretations Committee clarified the accounting treatment of recoveries in November 2018.

Performance indicators and condensed normalised notes to the consolidated financial statements

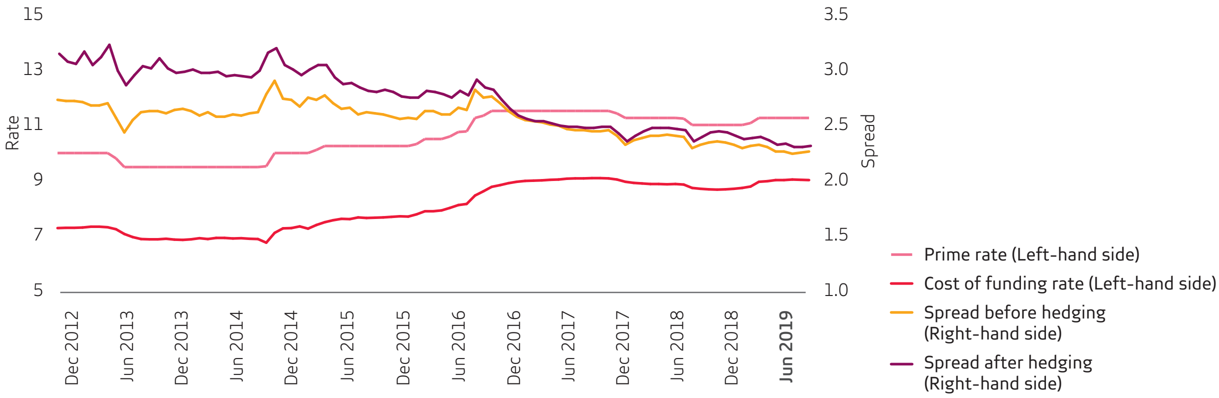
for the reporting period ended

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin[1] (%)



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate-insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 30 June 2019 an aggregate of **13%** (30 June 2018: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a credit balance of **R1.2bn** (R142m in 2018). The benefit realised in the current reporting period of 5 bps was in line with the previous reporting period, releasing **R239m** (30 June 2018: R232m) to the statement of comprehensive income.
- Equity and deposit endowment, respectively, had a 3 bps and 2 bps negative impact on margin reflecting the mix impact of slower growth in these balances relative to the Group's overall interest-bearing assets.

(iv) Absa Regional Operations

- Absa Regional Operations had a negative 1 bps from the negative pricing impact of lower benchmark interest rates in a number of markets and also competitive pricing on foreign currency assets and liabilities. This was partially offset by a positive mix impact of the balance sheet growing faster than the Group's overall interest-bearing assets.

(v) Other

- Other items have had a cumulative 2 bps negative impact on margin due to:
  - the negative impact, offset in costs, as a result of the change in the accounting treatment of leases (IFRS 16) (3 bps); and
  - the positive impact of a higher prime rate during the current reporting period (2 bps).

[1] Absa Bank Limited hedging strategy:
- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and the three-month Johannesburg Interbank Agreed Rate (JIBAR) repricing liabilities after hedging.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.1 Net fee and commission income

	30 June			31 December
	2019 Rm	2018 Rm	Change %	2018 Rm
Consulting and administration fees	**224**	302	(26)	480
Transactional fees and commissions	**10 263**	9 667	6	19 755
Cheque accounts	**2 787**	2 751	1	5 401
Credit cards (includes card issuing fees)	**1 410**	1 343	5	2 770
Electronic banking	**2 715**	2 576	5	5 335
Other (includes fees on mortgage loans and foreign currency transactions)	**2 329**	1 955	19	4 170
Savings accounts	**1 022**	1 042	(2)	2 079
Insurance commission received	**382**	390	(2)	830
Investment, markets execution and investment banking fees	**179**	266	(33)	477
Merchant income	**1 074**	969	11	2 066
Other fee and commission income	**216**	201	7	423
Trust and other fiduciary services fees	**752**	809	(7)	1 644
Portfolio and other management fees[1]	**585**	649	(10)	1 321
Trust and estate income	**167**	160	4	323
Fee and commission income	**13 090**	12 604	4	25 675
Fee and commission expense	**(1 510)**	(1 613)	(6)	(3 152)
Brokerage fees	**(45)**	(54)	(17)	(108)
Cheque processing fees	**(61)**	(63)	(3)	(120)
Clearing and settlement charges	**(421)**	(416)	1	(730)
Insurance commission paid	**(461)**	(536)	(14)	(1 113)
Notification fees	**(109)**	(98)	11	(180)
Other	**(376)**	(409)	(8)	(826)
Valuation fees	**(37)**	(37)	—	(75)
	11 580	10 991	5	22 523
Segment split[2]				
RBB South Africa	**8 574**	8 114	6	16 619
CIB South Africa	**980**	980	—	2 015
Absa Regional Operations	**1 589**	1 395	14	2 961
Head Office, Treasury and other operations in South Africa	**437**	502	(13)	928
	11 580	10 991	5	22 523

[1] Includes 'Asset management and other related fees', which was separately disclosed in prior reporting periods (30 June 2018: R108m; 31 December 2018: R218m).
[2] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.2 Net insurance premium income

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Gross insurance premiums	**4 352**	3 990	9	8 266
Premiums ceded to reinsurers	**(574)**	(525)	9	(1 076)
	3 778	3 465	9	7 190
Segment split[1]				
RBB South Africa	**3 795**	3 507	8	7 226
Head Office, Treasury and other operations in South Africa	**(17)**	(42)	(60)	(36)
	3 778	3 465	9	7 190

3.3 Net claims and benefits incurred on insurance contracts

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Gross claims and benefits incurred on insurance contracts	**(2 518)**	(2 022)	25	(4 045)
Reinsurance recoveries	**587**	281	>100	480
	(1 931)	(1 741)	11	(3 565)
Segment split[1]				
RBB South Africa	**(1 885)**	(1 705)	11	(3 489)
Head Office, Treasury and other operations in South Africa	**(46)**	(36)	28	(76)
	(1 931)	(1 741)	11	(3 565)

3.4 Changes in investment and insurance contract liabilities

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Change in insurance contract liabilities	**(21)**	99	<(100)	176
Change in investment contract liabilities[2]	**(1 217)**	(213)	>100	632
	(1 238)	(114)	>100	808
Segment split[1]				
RBB South Africa	**(1 242)**	(117)	>100	801
Head Office, Treasury and other operations in South Africa	**4**	3	33	7
	(1 238)	(114)	>100	808

[1] These numbers have been restated, refer to the report overview on the inside cover page.

[2] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with 'Net gains on investments from insurance activities: Policyholder investment contracts' reported in 'Gains and losses from investment activities'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Net gains on investments	**129**	272	(53)	341
Debt instruments at fair value through profit or loss	**60**	190	(68)	220
Equity instruments at fair value through profit or loss	**69**	81	(15)	112
Unwind from reserves for debt instruments at FVOCI	**—**	1	(100)	9
Net trading result	**2 444**	2 433	0	4 971
Net trading income excluding the impact of hedge accounting	**2 247**	2 510	(10)	5 183
Ineffective portion of hedges	**197**	(77)	<(100)	(212)
Cash flow hedges	**200**	(72)	<(100)	(198)
Fair value hedges	**(3)**	(5)	(40)	(14)
Other gains	**(30)**	(41)	(27)	(42)
	2 543	2 664	(5)	5 270
Segment split[1]				
RBB South Africa	**310**	227	37	503
CIB South Africa[2]	**811**	1 256	(35)	2 535
Absa Regional Operations	**1 261**	1 009	25	2 153
Head Office, Treasury and other operations in South Africa	**161**	172	(6)	79
	2 543	2 664	(5)	5 270

3.6 Gains and losses from investment activities

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Net gains on investments from insurance activities	**1 189**	240	>100	(580)
Policyholder insurance contracts	**173**	26	>100	47
Policyholder investment contracts[3]	**784**	(2)	<(100)	(1 027)
Shareholders' funds	**232**	216	7	400
Other gains	**13**	3	>100	(56)
	1 202	243	>100	(636)
Segment split[1]				
RBB South Africa	**1 656**	540	>100	13
Head Office, Treasury and other operations in South Africa	**(454)**	(297)	53	(649)
	1 202	243	>100	(636)

[1] The numbers have been restated, refer to the report overview on the inside cover page.

[2] This includes the elimination of investment returns of Absa Life Limited in the RBB SA segment for funds invested with CIB South Africa. The elimination is recognised between 'Gains and losses from investment activities' by RBB SA, and 'Net interest income' and 'Gains and losses from banking and trading activities' by CIB South Africa.

[3] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contracts' reported in 'Changes in investment and insurance contract liabilities'. The performance of the assets was significantly lower in the prior reporting period, which is due to equity values pulling back after strong performance towards the end of 2017.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Property-related income	**48**	30	60	146
Income from investment properties	**3**	5	(40)	47
Change in fair value	**—**	—	—	38
Rentals	**3**	5	(40)	9
Property-related income arising from contracts with customers	**45**	25	80	99
Profit/(Loss) on disposal of property and equipment	**7**	(13)	<(100)	(14)
Profit on sale of developed properties	**10**	10	—	34
Profit on sale of repossessed properties	**10**	11	(9)	31
Rental income	**18**	17	6	48
Other operating income	**422**	316	34	499
Foreign exchange differences, including recycle from other comprehensive income	**14**	29	(52)	58
Income from maintenance contracts	**15**	20	(25)	39
Sundry income	**393**	267	47	402
	470	346	36	645
Segment split[1]				
Property-related income	**48**	30	60	146
RBB South Africa	**30**	27	11	105
Absa Regional Operations	**17**	6	>100	15
Head Office, Treasury and other operations in South Africa	**1**	(3)	<(100)	26
Other operating income	**422**	316	34	499
RBB South Africa	**352**	130	>100	282
CIB South Africa	**(2)**	—	100	24
Absa Regional Operations	**28**	16	75	25
Head Office, Treasury and other operations in South Africa	**44**	170	(74)	168
	470	346	36	645

[1] The numbers have been restated, refer to the report overview on the inside cover page.

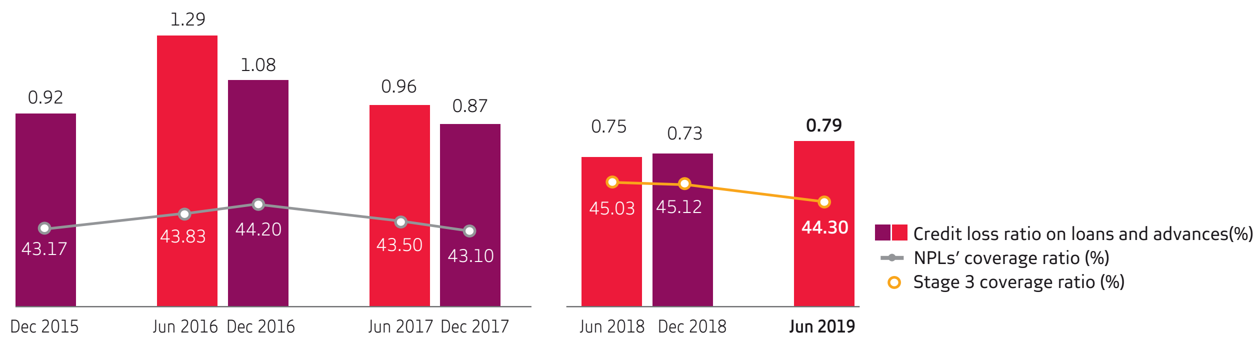
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses

4.1 Total charge to the statement of comprehensive income by market segment

Credit loss and NPLs' coverage ratios/Stage 3 coverage ratio (%)[1]



Charge to the statement of comprehensive income by market segment	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa				
Home Loans	**147**	55	>100	113
Vehicle and Asset Finance	**548**	512	7	1 022
Everyday Banking	**1 995**	1 675	19	3 108
Relationship Banking	**188**	149	26	277
Retail and Business Banking Other	**(2)**	5	<(100)	2
Total charge	**2 876**	2 396	20	4 522
Credit loss ratio (%)	**1.12**	0.99		0.92
CIB South Africa				
Total charge	**284**	381	(25)	998
Credit loss ratio (%)	**0.18**	0.30		0.36
Absa Regional Operations				
RBB	**439**	318	38	820
CIB	**118**	11	>100	32
Head Office, Treasury and other operations	**(9)**	6	<(100)	(58)
Total charge	**548**	335	64	794
Credit loss ratio (%)	**0.94**	0.72		0.78
Head Office, Treasury and other operations in South Africa				
Total charge	**(13)**	5	<(100)	10
Total charge to the statement of comprehensive income	**3 695**	3 117	19	6 324
Interest on cured accounts	**325**	314	4	608
Total charge to the statement of comprehensive income before cured interest adjustment	**4 020**	3 431	17	6 932
Comprising:				
Impairment losses raised	**5 217**	4 556	15	8 509
Impairment losses on loans and advances to customers and undrawn facilities[2]	**5 220**	4 569	14	8 560
Impairment losses on loans and advances to banks	**8**	(48)	<(100)	(39)
Impairment losses on other financial instruments subject to impairment	**(27)**	9	<(100)	6
Impairment losses on guarantees and letters of credit	**16**	26	(38)	(18)
Recoveries of financial instruments subject to impairment previously written off	**(445)**	(498)	(11)	(947)
Net change in interest in suspense	**(1 077)**	(941)	14	(1 238)
Total charge to the statement of comprehensive income	**3 695**	3 117	19	6 324

[1] These numbers have been restated, refer to the report overview on the inside cover page.
[2] Impairment losses on loans and advances to customers and undrawn facilities includes the net change in interest that is suspended.

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6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials

71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment

80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	436 499	2 985	0.68
Home Loans	—	203 626	266	0.13
Vehicle and Asset Finance	—	71 283	436	0.61
Everyday Banking	—	53 797	1 484	2.76
Card	—	34 040	953	2.80
Personal Loans	—	17 294	464	2.68
Transactions and Deposits	—	2 463	67	2.72
Relationship Banking	—	107 793	799	0.74
Retail and Business Banking Other	—	—	—	—
CIB South Africa	68 114	190 952	392	0.21
Absa Regional Operations	—	94 319	840	0.89
Head Office, Treasury and other operations in South Africa	—	264	(226)	—
Loans and advances to customers	—	264	6	2.27
Reclassification to provisions[1]	—	—	(232)	—
Loans and advances to customers	68 114	722 034	3 991	0.55
Loans and advances to banks	27 657	36 745	20	0.05
Total loans and advances to customers and banks	95 771	758 779	4 011	0.53

[1] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. The excess is recognised in 'Provisions' in the statement of financial position.

30 June 2019

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
38 381	3 946	10.28	39 081	16 537	42.31	490 493
14 351	267	1.86	18 807	4 936	26.25	231 315
5 675	672	11.84	5 146	2 026	39.37	78 970
8 768	2 498	28.49	9 879	6 748	68.31	61 714
5 305	1 933	36.44	6 775	4 707	69.48	38 527
2 388	392	16.42	2 640	1 708	64.70	19 758
1 075	173	16.09	464	333	71.77	3 429
9 587	509	5.31	5 196	2 775	53.41	118 493
—	—	—	53	52	98.11	1
29 139	324	1.11	2 396	857	35.77	289 028
7 290	786	10.78	5 459	3 414	62.54	102 028
74	(236)	—	—	(16)	—	816
74	—	—	—	—	—	332
—	(236)	—	—	(16)	—	484
74 884	4 820	6.44	46 936	20 792	44.30	882 365
2 570	5	0.19	3	3	100.00	66 947
77 454	4 825	6.23	46 939	20 795	44.30	949 312

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure (continued)

		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa	—	405 931	3 039	0.75
Home Loans	—	197 295	286	0.14
Vehicle and Asset Finance	—	65 848	487	0.74
Everyday Banking	—	48 142	1 409	2.93
Card	—	30 777	867	2.82
Personal Loans	—	15 210	485	3.19
Transactions and Deposits	—	2 155	57	2.65
Relationship Banking	—	94 646	857	0.91
Retail and Business Banking Other	—	—	—	—
CIB South Africa	37 727	165 286	434	0.26
Absa Regional Operations	—	79 285	950	1.20
Head Office, Treasury and other operations in South Africa	—	360	(180)	—
Loans and advances to customers	—	360	8	2.22
Reclassification to provisions[2]	—	—	(188)	—
Loans and advances to customers	37 727	650 862	4 243	0.65
Loans and advances to banks	27 515	33 367	11	0.03
Total loans and advances to customers and banks	65 242	684 229	4 254	0.62

[1] These numbers have been restated, refer to the report overview on the inside cover page.

[2] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. The excess is recognised in 'Provisions' in the statement of financial position.

30 June 2018[1]

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
37 803	3 924	10.38	38 161	15 841	41.51	459 091
15 340	258	1.68	18 575	4 640	24.98	226 026
5 837	758	12.99	4 320	1 637	37.89	73 123
8 371	2 449	29.26	9 309	6 469	69.49	55 495
4 981	1 900	38.14	6 385	4 559	71.40	34 817
2 256	369	16.36	2 489	1 608	64.60	17 493
1 134	180	15.87	435	302	69.43	3 185
8 255	459	5.56	5 903	3 041	51.52	104 447
—	—	—	54	54	100.00	—
29 702	331	1.11	2 804	1 432	51.07	233 322
8 261	903	10.93	5 482	3 671	66.96	87 504
483	(202)	—	—	(29)	—	1 254
483	2	0.41	—	—	—	833
—	(204)	—	—	(29)	—	421
76 249	4 956	6.50	46 447	20 915	45.03	781 171
1 982	10	0.50	—	—	—	62 843
78 231	4 966	6.35	46 447	20 915	45.03	844 014

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure (continued)

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	418 460	2 923	0.70
Home Loans	—	199 683	289	0.14
Vehicle and Asset Finance	—	68 966	450	0.65
Everyday Banking	—	49 976	1 453	2.91
Card	—	32 055	880	2.75
Personal Loans	—	15 710	520	3.31
Transactions and Deposits	—	2 211	53	2.40
Relationship Banking	—	99 835	731	0.73
Retail and Business Banking Other	—	—	—	—
CIB South Africa	45 263	196 995	415	0.21
Absa Regional Operations	—	86 819	879	1.01
Head Office, Treasury and other operations in South Africa	—	269	(195)	—
Loans and advances to customers	—	269	6	2.23
Reclassification to provisions[2]	—	—	(201)	—
Loans and advances to customers	45 263	702 543	4 022	0.57
Loans and advances to banks	19 800	30 190	9	0.03
Total loans and advances to customers and banks	65 063	732 733	4 031	0.55

[1] These numbers have been restated, refer to the report overview on the inside cover page.

[2] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. The excess is recognised in 'Provisions' in the statement of financial position.

31 December 2018[1]

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
37 665	3 906	10.37	38 273	15 914	41.58	471 655
14 215	238	1.67	18 516	4 801	25.93	227 086
6 041	734	12.15	4 754	1 805	37.97	76 772
8 520	2 398	28.15	9 670	6 536	67.59	57 779
4 767	1 754	36.79	6 582	4 551	69.14	36 219
2 619	452	17.26	2 598	1 634	62.89	18 321
1 134	192	16.93	490	351	71.63	3 239
8 889	536	6.03	5 279	2 719	51.51	110 017
—	—	—	54	53	98.15	1
30 749	305	0.99	2 860	1 978	69.16	273 169
8 491	842	9.92	6 034	3 409	56.50	96 214
9	(191)	—	—	(18)	—	682
9	—	—	—	—	—	272
—	(191)	—	—	(18)	—	410
76 914	4 862	6.32	47 167	21 283	45.12	841 720
3 173	14	0.44	—	—	—	53 140
80 087	4 876	6.09	47 167	21 283	45.12	894 860

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure (continued)

The presentation of loans and advances to customers has been updated to align to the new RBB operating model, which has resulted in the restatement of comparatives as at 30 June 2018 and 31 December 2018 as disclosed in the following tables:

	30 June 2018				
	Previously published				
Loans and advances to customers	Gross carrying amount Rm	ECL allowance Rm	Net carrying amount Rm	Exclusion of PWOR from LGD Rm	Restated net carrying amount Rm
RBB South Africa	476 575	21 083	455 492	1 456	454 036
Retail Banking South Africa	406 561	17 543	389 018	1 386	387 632
Credit cards	40 124	6 075	34 049	727	33 322
Instalment credit agreements	81 222	2 966	78 256	334	77 922
Loans to associates and joint ventures	24 682	1	24 681	—	24 681
Mortgages	228 593	5 085	223 508	50	223 458
Other loans and advances	2 746	48	2 698	—	2 698
Overdrafts	6 287	504	5 783	86	5 697
Personal and term loans	22 907	2 864	20 043	189	19 854
Business Banking South Africa	70 014	3 540	66 474	70	66 404
WIMI	5 321	266	5 055	—	5 055
ARO	93 754	5 035	88 719	489	88 230

	31 December 2018		
	Previously published		
Loans and advances to customers	Gross carrying amount Rm	ECL allowance Rm	Net carrying amount Rm
RBB South Africa	488 413	22 493	465 921
Retail Banking South Africa	416 014	19 209	396 805
Credit cards	41 226	6 443	34 783
Instalment credit agreements	85 651	3 373	82 278
Loans to associates and joint ventures	25 490	1	25 489
Mortgages	229 557	5 297	224 260
Other loans and advances	3 526	61	3 465
Overdrafts	6 668	631	6 037
Personal and term loans	23 896	3 403	20 493
Business Banking South Africa	72 400	3 284	69 116
WIMI	5 984	250	5 734

A net carrying amount of **R725m** (31 December 2018: R1 031m) relating to the Absa Namibia representative office has been moved from ARO to CIB South Africa to support its regional expansion strategy.

			New operating model						
	Home Loans Rm	Vehicle and Asset Finance Rm	Card Rm	Personal Loans Rm	Transactions and Deposits Rm	Everyday Banking Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	Restated RBB South Africa net carrying amount Rm
	226 026	73 123	34 817	17 493	3 185	55 495	104 447	—	459 091
	—	—	32 512	—	—	32 512	810	—	33 322
	—	49 193	—	—	—	—	28 729	—	77 922
	—	21 804	—	—	—	—	2 877	—	24 681
	223 458	—	—	—	—	—	—	—	223 458
	—	2 126	—	—	—	—	572	—	2 698
	2 568	—	—	—	3 129	3 129	—	—	5 697
	—	—	2 305	17 493	56	19 854	—	—	19 854
	—	—	—	—	—	—	66 404	—	66 404
	—	—	—	—	—	—	5 055	—	5 055

			New operating model						
	Home Loans Rm	Vehicle and Asset Finance Rm	Card Rm	Personal Loans Rm	Transactions and Deposits Rm	Everyday Banking Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	Restated RBB South Africa net carrying amount Rm
	227 086	76 772	36 219	18 321	3 239	57 779	110 017	1	471 655
	—	—	34 075	—	—	34 075	708	—	34 783
	—	52 010	—	—	—	—	30 268	—	82 278
	—	22 329	—	—	—	—	3 160	—	25 489
	224 260	—	—	—	—	—	—	—	224 260
	—	2 433	—	—	—	—	1 031	1	3 465
	2 826	—	—	—	3 211	3 211	—	—	6 037
	—	—	2 144	18 321	28	20 493	—	—	20 493
	—	—	—	—	—	—	69 116	—	69 116
	—	—	—	—	—	—	5 734	—	5 734

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance

The following table sets out the breakdown of the ECL for loans and advances to customers and undrawn facilities:

30 June 2019	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	23 468	1 573	5 040	(478)	29 603
Stage 1	2 985	392	840	(226)	3 991
Stage 2	3 946	324	786	(236)	4 820
Stage 3	16 537	857	3 414	(16)	20 792
Undrawn facilities	—	—	94	484	578
Stage 1	—	—	71	232	303
Stage 2	—	—	20	236	256
Stage 3	—	—	3	16	19
Total loans and advances to customers and undrawn facilities	23 468	1 573	5 134	6	30 181

30 June 2018	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	22 804	2 197	5 524	(411)	30 114
Stage 1	3 039	434	950	(180)	4 243
Stage 2	3 924	331	903	(202)	4 956
Stage 3	15 841	1 432	3 671	(29)	20 915
Undrawn facilities	—	1	60	420	481
Stage 1	—	1	50	188	239
Stage 2	—	—	10	203	213
Stage 3	—	—	—	29	29
Total loans and advances to customers and undrawn facilities	22 804	2 198	5 584	9	30 595

31 December 2018	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	22 743	2 698	5 130	(404)	30 167
Stage 1	2 923	415	879	(195)	4 022
Stage 2	3 906	305	842	(191)	4 862
Stage 3	15 914	1 978	3 409	(18)	21 283
Undrawn facilities	—	—	87	410	497
Stage 1	—	—	44	201	245
Stage 2	—	—	15	191	206
Stage 3	—	—	28	18	46
Total loans and advances to customers and undrawn facilities	22 743	2 698	5 217	6	30 664

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing ECL allowance for loans and advances to customers, by market segment:

	30 June 2019				
Loans and advances to customers at amortised cost and undrawn facilities	**RBB South Africa Rm**	**CIB South Africa Rm**	**Absa Regional Operations Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total expected credit losses Rm**
Balance at the beginning of the reporting period	22 743	2 698	5 217	6	30 664
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	637	15	117	—	769
Stage 2 net transfers	(1 231)	(23)	(280)	—	(1 394)
Stage 3 net transfers	594	8	163	—	765
Impairment losses raised and interest in suspense	4 122	418	680	—	5 220
Amounts written off	(3 397)	(1 543)	(401)	—	(5 341)
Foreign exchange movements	—	—	(362)	—	(362)
Stage 1	2 985	392	911	6	4 294
Stage 2	3 946	324	806	—	5 076
Stage 3	16 537	857	3 417	—	20 811
Balance at the end of the reporting period	23 468	1 573	5 134	6	30 181

	30 June 2018				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 000	1 821	5 455	19	29 295
Stage 1	3 056	482	1 090	8	4 636
Stage 2	3 433	384	798	11	4 626
Stage 3	15 511	955	3 567	—	20 033
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	893	40	129	—	1 062
Stage 2 net transfers	(1 146)	(41)	(303)	—	(1 490)
Stage 3 net transfers	253	1	174	—	428
Impairment losses raised and interest in suspense	3 710	455	398	5	4 569
Amounts written off	(2 906)	(79)	(350)	(15)	(3 351)
Foreign exchange movements	—	—	82	—	—
Stage 1	3 039	435	1 000	8	4 482
Stage 2	3 924	331	913	1	5 167
Stage 3	15 841	1 432	3 671	—	20 946
Balance at the end of the reporting period	22 804	2 198	5 584	9	30 595

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

	31 December 2018[1]				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 000	1 821	5 455	19	29 295
Stage 1	3 056	482	1 090	8	4 636
Stage 2	3 433	384	798	11	4 626
Stage 3	15 511	955	3 567	—	20 033
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	1 078	34	119	—	1 231
Stage 2 net transfers	(1 337)	(36)	(298)	—	(1 671)
Stage 3 net transfers	259	2	179	—	440
Impairment losses raised and interest in suspense[2]	6 999	1 207	367	(13)	8 560
Amounts written off[2]	(6 256)	(330)	(1 769)	—	(8 355)
Foreign exchange movements	—	—	968	—	968
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Balance at the end of the reporting period	22 743	2 698	5 217	6	30 664

The following table sets out a reconciliation of the opening and closing ECL allowance for banks, by market segment:

	30 June 2019				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	15	3	5	23
Stage 1	—	6	2	1	9
Stage 2	—	9	1	4	14
Stage 3	—	—	—	—	—
Impairment losses raised	—	5	4	(1)	8
Foreign exchange movements	—	—	(3)	—	(3)
Stage 1	—	14	3	3	20
Stage 2	—	3	1	1	5
Stage 3	—	3	—	—	3
Balance at the end of the reporting period	—	20	4	4	28

[1] These numbers have been restated to include undrawn facilities.

[2] The RBB South Africa numbers have been restated due to the change in treatment of interest in suspense write offs. These write offs were previously disclosed as 'Impairment losses raised and interest in suspense', as oppose to 'Amounts written off'. The restatement has increased 'Impairment losses raised and interest in suspense' and 'Amounts written off' by R856m.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

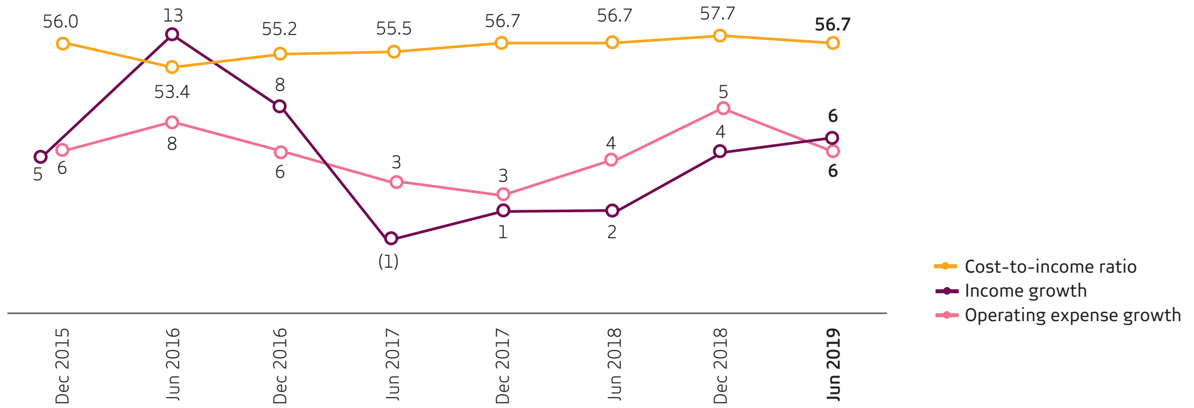
4.3 Reconciliation of ECL allowance (continued)

	30 June 2018				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	26	41	—	67
Stage 1	—	4	36	—	40
Stage 2	—	22	5	—	27
Stage 3	—	—	—	—	—
Impairment losses raised	—	(16)	(41)	9	(48)
Foreign exchange movements	—	—	2	—	2
Stage 1	—	9	2	—	11
Stage 2	—	1	—	9	10
Stage 3	—	—	—	—	—
Balance at the end of the reporting period	—	10	2	9	21

	31 December 2018				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	26	41	—	67
Stage 1	—	4	36	—	40
Stage 2	—	22	5	—	27
Stage 3	—	—	—	—	—
Impairment losses raised	—	(11)	(33)	5	(39)
Foreign exchange movements	—	—	(5)	—	(5)
Stage 1	—	6	2	1	9
Stage 2	—	9	1	4	14
Stage 3	—	—	—	—	—
Balance at the end of the reporting period	—	15	3	5	23

5. Operating expenses

Jaws and cost-to-income ratio (%)



Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses (continued)

Breakdown of operating expenses	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Administration fees	**305**	276	11	468
Amortisation of intangible assets	**468**	363	29	815
Auditors' remuneration	**157**	160	(2)	331
Cash transportation	**640**	612	5	1 266
Depreciation	**1 738**	1 125	54	2 320
Equipment costs	**175**	183	(4)	370
Information technology	**1 869**	1 592	17	3 194
Marketing costs	**581**	731	(21)	1 595
Operating lease expenses on properties	**109**	799	(86)	1 606
Other[1]	**1 187**	1 166	2	2 663
Printing and stationery	**164**	164	—	362
Professional fees	**736**	717	3	1 820
Property costs	**825**	834	(1)	1 759
Staff costs	**12 586**	11 647	8	24 031
Bonuses	**672**	774	(13)	2 066
Deferred cash and share-based payments	**351**	401	(12)	638
Other[2]	**494**	518	(5)	979
Salaries and current service costs on post-retirement benefit funds	**10 889**	9 744	12	19 923
Training costs	**180**	210	(14)	425
Telephone and postage	**596**	465	28	1 042
	22 136	20 834	6	43 642

Breakdown of IT-related spend included in operating expenses	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Amortisation of intangible assets and depreciation of IT equipment	**1 044**	910	15	1 958
Information technology	**1 869**	1 592	17	3 194
Staff costs	**1 228**	1 155	6	1 983
Other	**354**	313	13	751
	4 495	3 970	13	7 886

On a normalised basis operating costs increased by 6% (CCY 5%) to **R22 136m** (30 June 2018: R20 834m) with staff costs increasing by 8% (CCY 6%) and non-staff costs increasing by 4% (CCY 2%). Cost growth was inflationary in constant currency terms supported by cost optimisation initiatives despite the impact of higher restructuring costs as well as incremental run costs post the separation from Barclays PLC.

- Administration fees increased by 11% (CCY 9%) as a result of once-off credits in the prior year base.
- Amortisation of intangible assets increased by 29% (CCY 27%) and reflected continuing investment in new digital, data and automation capabilities, resulting in an increase in intangible assets.
- Depreciation increased by 54% (CCY 52%) mainly from the adoption of IFRS 16 on 1 January 2019 whereby right-of-use assets of R3.4bn were recognised at the adoption date. This recognition has resulted in a corresponding 86% decrease in operating lease expenses on properties and an increase in funding costs. The total combined property-related expense growth remained low in line with the Group's property strategy.
- Information technology costs increased by 17% (CCY 17%) and reflected continued investment in technology services following separation from Barclays PLC.
- Marketing costs decreased by 21% (CCY 21% lower), reflecting lower product campaign and advertising spend.
- Property costs decreased by 1% (CCY 2% lower) from optimisation of the corporate property portfolio and branch network.
- Staff costs grew by 8% (CCY 6%) to **R12 586m** (30 June 2018: R11 647m). Salary costs increased by 12% (CCY 10%), and reflects the impact of staff restructuring costs in 2019 excluding which salary costs grew by circa 5% on a constant currency basis. Bonuses and deferred cash and share-based payments of **R1 023m** (30 June 2018: R1 175m) decreased by 13% (CCY 14% lower) and mainly reflects provision adjustments on variable compensation schemes.
- Telephone and postage costs increased by 28% (CCY 26%) and reflected an increase in the cost of market data services following separation from Barclays PLC.

[1] Includes net fraud losses, travel and entertainment costs.
[2] Includes recruitment costs, membership fees to professional bodies, staff parking, study assistance, staff relocation and refreshment costs.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

6. Indirect taxation

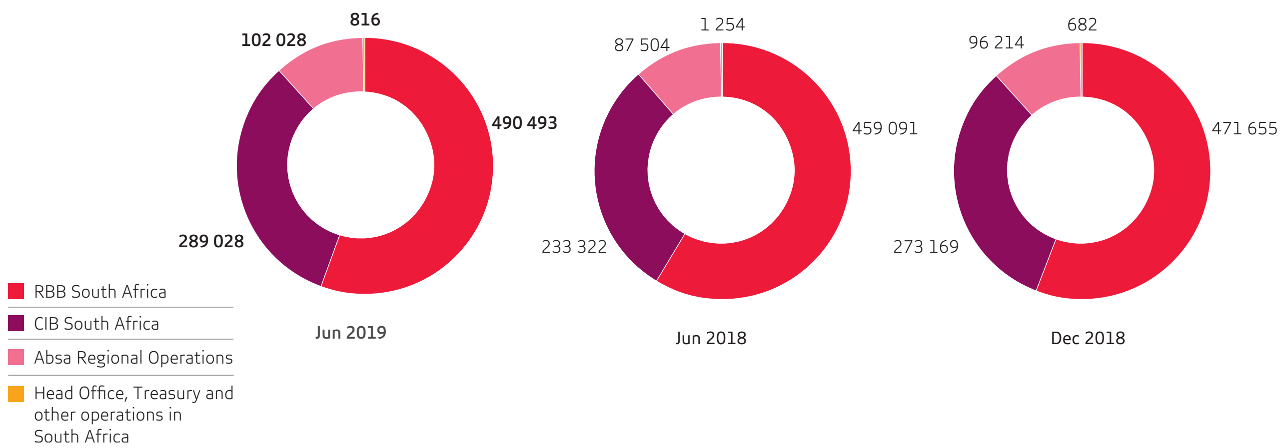
	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Training levy	**110**	112	(2)	211
Value-added tax net of input credits	**699**	592	18	1 186
	809	704	15	1 398

7. Taxation expense

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**12 480**	11 945	4	24 041
Share of post-tax results of associates and joint ventures	**(93)**	(56)	66	(179)
	12 387	11 889	4	23 862
Tax calculated at a tax rate of 28%	**3 468**	3 329	4	6 681
Effect of different tax rates in other countries	**51**	(2)	<(100)	34
Expenses not deductible for tax purposes[1,3]	**272**	260	5	762
Assessed losses[3]	**38**	76	(50)	84
Dividend income	**(268)**	(226)	19	(434)
Non-taxable interest[2]	**(101)**	(112)	(10)	(181)
Other income not subject to tax	**(9)**	(9)	—	(124)
Other	**(57)**	8	<(100)	(72)
Items of a capital nature	**(9)**	(2)	<(100)	16
	3 385	3 322	2	6 766

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)[4]



[1] This includes donations, non-deductible levies and other non-deductible expenses.

[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which are exempt from tax.

[3] In the prior period 'Expenses not deductible for tax purposes' has been disaggregated to 'Expenses not deductible for tax purposes' (30 June 2018: R260m; 31 December 2018: R762m) and 'Assessed losses' (30 June 2018: R76m; 31 December 2018: R84m).

[4] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances to customers (continued)

	30 June 2019 %	30 June 2018 %	31 December 2018 %
RBB South Africa	**55.6**	58.7	56.0
CIB South Africa	**32.8**	29.9	32.5
Absa Regional Operations	**11.6**	11.2	11.4
Head Office, Treasury and other operations in South Africa	**—**	0.2	0.1
	100.0	100.0	100.0

Loans and advances to customers by segment	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa				
Credit cards	**44 933**	40 124	12	41 226
Instalment credit agreements	**90 176**	81 222	11	85 651
Loans to associates and joint ventures	**25 497**	24 682	3	25 490
Mortgages	**265 711**	258 882	3	261 228
Other loans and advances	**3 260**	2 746	19	3 528
Overdrafts	**33 900**	30 687	10	30 673
Personal and term loans	**50 484**	43 552	16	46 602
Gross loans and advances to customers	**513 961**	481 895	7	494 398
Impairment losses on loans and advances to customers	**(23 468)**	(22 804)	3	(22 743)
	490 493	459 091	7	471 655
CIB South Africa				
Foreign currency loans	**35 131**	30 672	15	36 463
Mortgages	**33 424**	22 760	47	28 471
Term loans	**107 845**	101 849	6	110 702
Overdrafts	**18 119**	13 210	37	21 768
Overnight finance	**20 468**	19 048	7	18 038
Preference shares	**20 157**	15 713	28	20 450
Reverse repurchase agreements	**45 185**	25 128	80	29 414
Other loans and advances	**10 272**	7 139	44	10 561
Gross loans and advances to customers	**290 601**	235 519	23	275 867
Impairment losses on loans and advances to customers	**(1 573)**	(2 197)	(28)	(2 698)
	289 028	233 322	24	273 169

[1] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

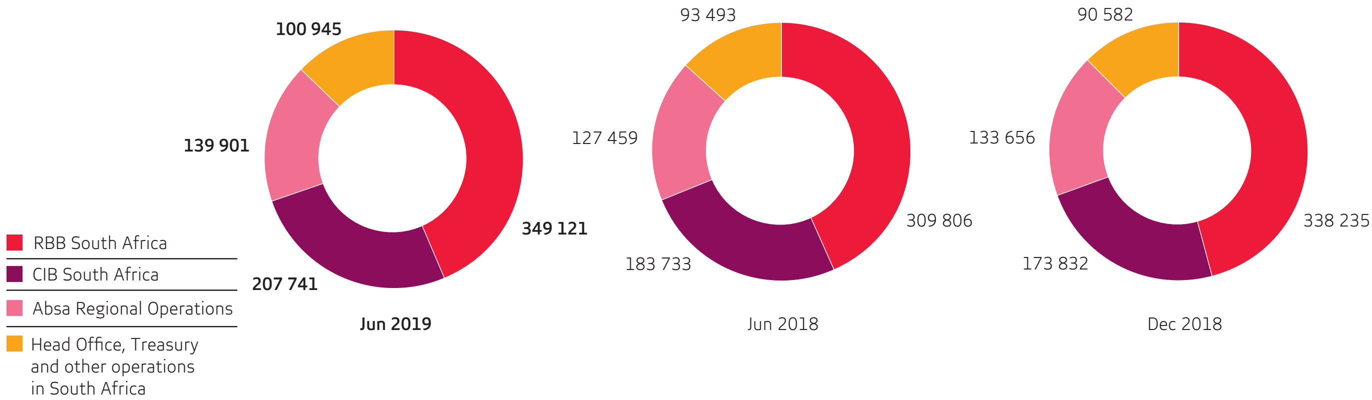
for the reporting period ended

8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
Absa Regional Operations				
Gross loans and advances to customers	**107 068**	93 028	15	101 344
Impairment losses on loans and advances to customers	**(5 040)**	(5 524)	(9)	(5 130)
	102 028	87 504	17	96 214
RBB Absa Regional Operations				
Gross loans and advances to customers	**52 595**	46 211	14	50 800
Impairment losses on loans and advances to customers	**(3 331)**	(3 824)	(13)	(3 602)
	49 264	42 387	16	47 198
CIB Absa Regional Operations				
Gross loans and advances to customers	**54 473**	46 817	16	50 544
Impairment losses on loans and advances to customers	**(1 709)**	(1 700)	1	(1 528)
	52 764	45 117	17	49 016
Head Office, Treasury and other operations in South Africa				
Gross loans and advances to customers	**338**	843	(60)	278
Impairment losses on loans and advances to customers	**478**	411	16	404
	816	1 254	(35)	682
Total loans and advances to customers				
Gross loans and advances to customers	**911 968**	811 285	12	871 887
Impairment losses on loans and advances to customers	**(29 603)**	(30 114)	(2)	(30 167)
Net loans and advances to customers including reverse repurchase agreements	**882 365**	781 171	13	841 720
Less: Reverse repurchase agreements	**(45 185)**	(25 128)	80	(29 414)
Net loans and advances to customers excluding reverse repurchase agreements	**837 180**	756 043	11	812 306

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits due to customers (continued)

Total funding mix	30 June 2019 %	30 June 2018 %	31 December 2018 %
Deposits due to customers	**74.0**	75.7	72.3
RBB South Africa	**32.4**	32.8	33.2
CIB South Africa	**19.3**	19.5	17.1
Absa Regional Operations	**13.0**	13.5	13.1
Head Office, Treasury and other operations in South Africa	**9.3**	9.9	8.9
Deposits from banks	**10.8**	9.4	11.9
Debt securities in issue	**15.2**	14.9	15.8
	100.0	100.0	100.0

Deposits due to customers by segment	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa	**349 121**	309 806	13	338 235
Call deposits	**14 232**	12 491	14	13 810
Cheque account deposits	**82 815**	74 488	11	82 370
Credit card deposits	**1 792**	1 788	0	1 904
Fixed deposits	**87 371**	66 290	32	80 803
Foreign currency deposits	**572**	502	14	581
Notice deposits	**21 621**	18 507	17	18 770
Other deposits	**531**	664	(20)	740
Saving and transmission deposits	**140 187**	135 076	4	139 257
CIB South Africa	**207 741**	183 733	13	173 832
Call deposits	**23 878**	22 515	6	24 720
Cheque account deposits	**92 055**	84 013	10	78 557
Fixed deposits	**51 760**	48 318	7	41 631
Foreign currency deposits	**13 949**	11 397	22	12 495
Notice deposits	**4 612**	2 252	>100	1 095
Other deposits	**489**	635	(23)	732
Repurchase agreements with non-banks	**19 295**	13 016	48	12 793
Saving and transmission deposits	**1 703**	1 587	7	1 809
Absa Regional Operations	**139 901**	127 459	10	133 656
RBB	**74 708**	68 422	9	72 443
CIB	**62 605**	56 776	10	58 520
Head Office, Treasury and other operations	**2 588**	2 261	14	2 693
Head Office, Treasury and other operations in South Africa	**100 945**	93 493	8	90 582
Total deposits due to customers including repurchase agreements with non-banks	**797 708**	714 491	12	736 305
Less: Repurchase agreements with non-banks	**(19 295)**	(13 016)	48	(12 793)
Total deposits due to customers excluding repurchase agreements with non-banks	**778 413**	701 475	11	723 512

[1] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

10. Debt securities in issue

Debt securities in issue	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Commercial paper	**3 603**	1 357	>100	1 436
Credit-linked notes	**7 609**	8 540	(11)	9 049
Floating rate notes	**61 584**	60 924	1	64 181
Negotiable certificates of deposit	**55 950**	43 370	29	53 809
Other	**851**	851	—	696
Promissory notes	**1 242**	719	73	1 257
Structured notes and bonds	**101**	337	(70)	101
Senior notes	**33 381**	24 684	35	30 442
	164 321	140 782	17	160 971
Segment split				
RBB South Africa	**—**	181	(100)	—
CIB South Africa	**12 587**	11 109	13	11 565
Absa Regional Operations	**2 298**	860	>100	1 363
Head Office, Treasury and other operations in South Africa	**149 436**	128 632	16	148 043
	164 321	140 782	17	160 971

11. Equity and borrowed funds

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Authorised				
880 467 500 (30 June 2018: 880 467 500; 31 December 2018: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2018: 847 750 679; 31 December 2018: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
2 074 711 (30 June 2018: 3 293 577; 31 December 2018: 7 557 551) treasury shares held by Group entities	**(5)**	(7)	(29)	(16)
	1 691	1 689	0	1 680
Total issued capital				
Share capital	**1 691**	1 689	0	1 680
Share premium	**4 272**	4 302	(1)	3 657
	5 963	5 991	(0)	5 337

Number of ordinary shares in issue (after deduction of treasury shares)	30 June 2019 Number of shares (million)	30 June 2018 Number of shares (million)	Change %	31 December 2018 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(2.1)**	(3.3)	(37)	(7.6)
	845.7	844.5	0	840.2

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds (continued)

Borrowed funds		30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Subordinated callable notes issued by Absa Bank Limited					
The following subordinated debt instruments qualify as Tier 2 capital in terms of Basel III.					
Interest rate	**Final maturity date**				
8.295%	21 November 2023	**—**	1 188	(100)	—
Three-month JIBAR + 2.05%	21 November 2023	**—**	2 007	(100)	—
Consumer Price Index linked notes fixed at 5.50%	7 December 2028	**1 500**	1 500	—	1 500
Subordinated callable notes issued by Absa Group Limited					
10.05%	5 February 2025	**807**	807	—	807
10.835%	19 November 2024	**130**	130	—	130
11.365%	4 September 2025	**508**	508	—	508
11.40%	29 September 2025	**288**	288	—	288
11.74%	20 August 2026	**140**	140	—	140
11.81%	3 September 2027	**737**	737	—	737
12.43%	5 May 2026	**200**	200	—	200
Three-month JIBAR + 2.40%	11 April 2029	**1 580**	—	100	—
Three-month JIBAR + 2.45%	29 November 2028	**1 500**	—	100	1 500
Three-month JIBAR + 3.30%	19 November 2024	**370**	370	—	370
Three-month JIBAR + 3.50%	5 February 2025	**1 693**	1 693	—	1 693
Three-month JIBAR + 3.50%	4 September 2025	**437**	437	—	437
Three-month JIBAR + 3.60%	3 September 2027	**30**	30	—	30
Three-month JIBAR + 4.00%	5 May 2026	**31**	31	—	31
Three-month JIBAR + 4.00%	20 August 2026	**1 510**	1 510	—	1 510
Three-month JIBAR + 4.00%	3 November 2026	**500**	500	—	500
Three-month JIBAR + 3.78%	17 March 2027	**642**	642	—	642
Three-month JIBAR + 3.85%	25 May 2027	**500**	500	—	500
Three-month JIBAR + 3.85%	14 August 2029	**390**	390	—	390
Three-month JIBAR + 3.15%	30 September 2027	**295**	295	—	295
Three-month JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—	1 014
USD 6.25%	25 April 2028	**5 491**	5 488	(10)	5 545
Subordinated callable notes issued by other subsidiaries					
National Bank of Commerce, 16.44% fixed-rate note	29 January 2024	**—**	30	(100)	34
Barclays Bank of Botswana Limited, Bank rate +2.25%	14 November 2023	**138**	—	100	139
Other					
Accrued interest		**1 246**	1 025	22	1 222
Fair value adjustments on total subordinated debt		**265**	(12)	<(100)	63
		21 942	21 448	2	20 225

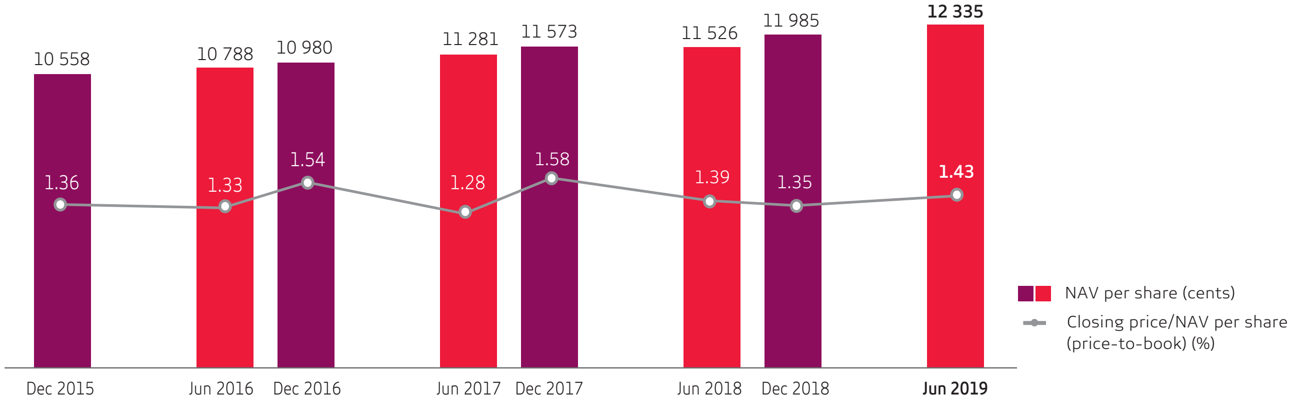
133 | IFRS salient features
134 | Financials
145 | Notes to the financials
150 | Segment performance
152 | Barclays separation
156 | Risk management overview
168 | Capital management and RWA
176 | Share performance
177 | Shareholder information and diary
178 | Glossary
185 | Abbreviations and acronyms
187 | Contact information

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

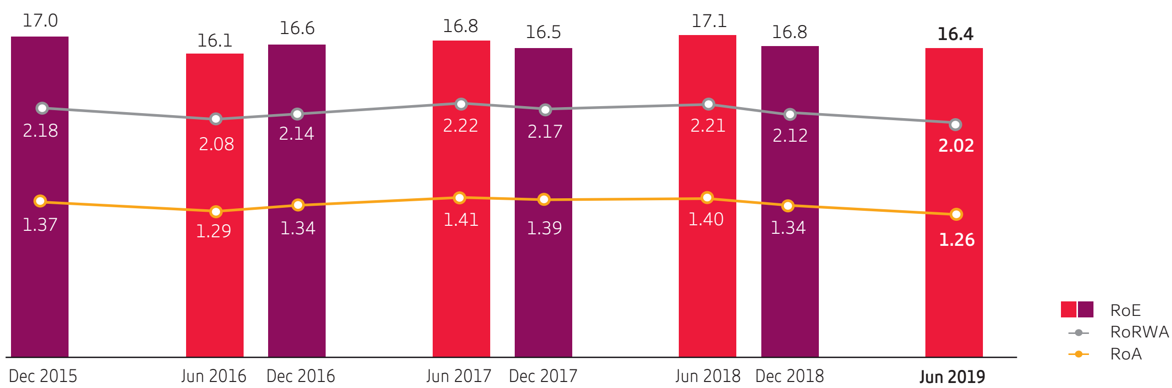
11. Equity and borrowed funds (continued)

NAV per share and closing price/NAV per share (cents and %)[1]



12. Returns

RoE, RoA and RoRWA (%)[1]



[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

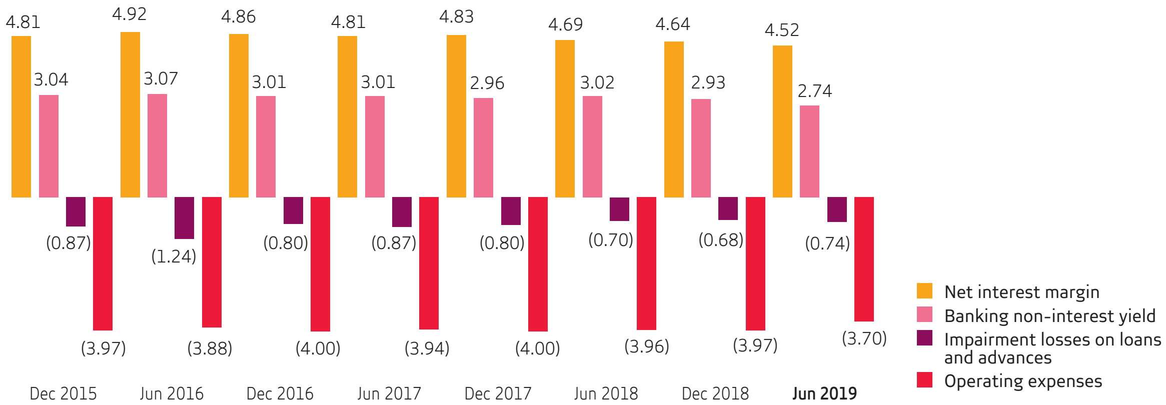
4 Normalised Group performance
70 Segment performance
132 IFRS Group performance
155 Risk management
175 Appendices
6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

13. RoE decomposition

Major drivers of RoE (%)



		30 June 2019 %	30 June 2018[1] %	31 December 2018 %
	Net interest margin on average interest-bearing assets	**4.52**	4.69	4.64
Less:	Impairment losses on average interest-bearing assets	**0.74**	0.70	0.68
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**3.78**	3.99	3.97
Multiply:	Average interest-bearing assets/Average banking assets	**84.13**	85.01	85.02
Equals:	Banking interest yield	**3.18**	3.39	3.36
Plus:	Banking non-interest yield	**2.74**	3.02	2.93
Equals:	Banking income yield	**5.92**	6.41	6.29
Less:	Operating expenses/Average banking assets	**3.70**	3.96	3.97
Equals:	Net banking return	**2.22**	2.45	2.32
Less:	Other[2]	**0.80**	0.89	0.86
Equals:	Banking return	**1.42**	1.56	1.46
Multiply:	Average banking assets/Total average assets	**88.73**	89.74	91.32
Equals:	RoA	**1.26**	1.40	1.34
Multiply:	Leverage	**12.98**	12.18	12.54
Equals:	RoE	**16.4**	17.1	16.8

[1] These numbers have been restated, refer to the reporting changes overview on the inside cover page.
[2] 'Other' includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

14. Off-statement of financial position items

	30 June			31 December
	2019 Rm	2018 Rm	Change %	2018 Rm
Commitments				
Authorised capital expenditure				
Contracted but not provided for	**1 842**	1 262	46	1 304
	1 842	1 262	46	1 304
Operating lease payments due				
Not later than one year		1 466	(100)	1 408
Later than one year and no later than five years		3 486	(100)	3 905
Later than five years		829	(100)	707
		5 781	(100)	6 020
Contingencies				
Guarantees	**46 280**	42 171	10	46 529
Irrevocable debt facilities	**212 970**	170 222	25	199 062
Irrevocable equity facilities	**8**	21	(62)	8
Letters of credit[1]	**13 208**	7 224	83	14 838
Other[1]	**62**	87	(29)	63
	272 528	219 725	24	260 500

The operating lease commitments in respect of prior periods comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank. Leases are negotiated for an average term of three to five years. Following the implementation of IFRS 16 from 1 January 2019, the disclosure relating to 'Operating lease payments due' will no longer be disclosed

Performance

- **Commitments:** The Group has capital commitments in respect of computer equipment and property development.
- **Contingencies:** There has been an increase in irrevocable debt facilities for the current year. This has been primarily due to the Corporate Banking Division.

15. Legal proceedings

Legal matters

The Group has been party to proceedings against it during the reporting period. As at reporting date the material cases are disclosed below:

- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R934m.
- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided to Absa an online electronic system that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa is disputing both the substance and the quantum of the claim.

The Group is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

[1] The 30 June 2018 number has been restated to better reflect the commercial nature of products. The restatement has resulted in R255m being moved from other contingencies to letters of credit.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

15. Legal proceedings (continued)

Legal matters (continued)

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise. In terms of the requirements of IFRS, cases where the Group's obligation is now determined to be remote have no longer been disclosed above.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis has resulted in a significant tightening of regulation and changes to regulatory structures globally and locally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation. The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. Some of these are likely to have an impact on the Group's businesses, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

In February 2017 the South African Competition Commission (SACC) referred Barclays PLC, BCI and Absa Bank Limited, a subsidiary of Absa Group Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of the South African rand. The SACC found from its investigation that between 2007 and 2013 the banks had engaged in various forms of collusive behaviour. Barclays was the first to bring the conduct to the attention of the SACC under its leniency programme and has cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any fine on Barclays Bank PLC, BCI or Absa Bank Limited.

16. Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide liabilities for income taxes necessarily involves a degree of estimation and judgement. There may be transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may indicate disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due after taking into account expert external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. The risks are managed in accordance with the Group's Tax Risk Framework.

17. Amendments due to developments in IFRS 9 accounting interpretations

There are two areas of technical interpretation which have evolved since the publication of the Group's IFRS 9 disclosures, as at 30 June 2018. These are as follows:

- **Exclusion of post write-off recoveries from loss given default (LGD) modelling:** IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when it is considered that there is no reasonable expectation of recovery. The Group has well-governed internal policies, which define how an individual account should be assessed for write-off, and ensure that post write-off recoveries remain insignificant over the long run. Further, the policies are recalibrated over time, as and when actual recovery experience changes. While the Group's write-off policy determines the point of derecognition at an individual account level, it also impacts the level of recoveries modelled on a collective basis for the purposes of determining the LGDs to be applied at a portfolio level. The Group's LGD models have historically included the present value of all forecast recoveries on a pool of loans, over the full life of such loans, thereby including cash flows which would otherwise be classified as post-write off recoveries, from an accounting perspective.

  While the guidance regarding derecognition under IFRS 9 remains largely unchanged from IAS 39, IFRS 9 does explicitly provide that write-off constitutes a derecognition event. The IFRS 9 requirements for write-off have been one of the most robustly debated topics following the banking industry's adoption of the standard. With evolving IFRS 9 technical interpretation, the Group has reconsidered the approach previously applied to LGD modelling for accounting purposes. The Group is of the view that under IFRS 9, the write-off assumptions should be consistently applied at both an individual account level and on a collective modelling basis. The original treatment applied up to 30 June 2018 has been adjusted accordingly. The exclusion of post write-off recoveries from LGD, under IFRS 9, has resulted in a significant increase in the allowance for ECL recognised in the statement of financial position, as at 1 January 2018. The change in valuation methodology did not have a significant impact on the credit losses recognised during the previous interim reporting period, since the impact on both the 1 January 2018 and 30 June 2018 ECL allowances were of a similar magnitude.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

17. Amendments due to developments in IFRS 9 accounting interpretations (continued)

› **Interest recoveries on cured stage 3 financial assets:** IFRS 9 requires interest income on stage 3 assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. To practically give effect to this requirement, the Group suspends the recognition of contractual interest, and then, recognises interest calculated by multiplying the net carrying value by the effective interest rate (EIR). Interest income recognised on stage 3 assets will therefore be less than the contractual interest charged. In some instances, the Group may recover contractual interest which is in excess of that previously recognised under IFRS 9. This prompted extensive industry debate regarding where such excess should be presented as a credit impairment gain, reflecting a credit recovery event, or as interest income, reflecting recovery of interest in the ordinary course of business. A request for clarification regarding this IFRS 9 requirement was submitted to the IFRIC in August 2018. At the IFRIC meeting held in November 2018, the committee observed that any unrecognised interest, which is subsequently recovered, should be presented as a credit impairment gain. As a result, the Group has amended its accounting treatment; however, this does not impact profit or loss, but it does reduce both the Group's ECL and interest income for the year ended 30 June 2018.

The following table summarises the total impact of the above on the statement of financial position as at 1 January 2018

	31 December	Impact of IFRS 9				1 January
			IFRS 9 ECL			
	2017 Rm	Classification and measurement[1] Rm	Reported ECL[2] Rm	Exclusion of PWOR from LGD[3] Rm	Total IFRS 9 impact Rm	2018 Rm
Assets						
Cash, cash balances and balances with central banks[4]	48 669	—	(10)	—	(10)	48 659
Investment securities	111 409	(195)	(2)	—	(2)	111 212
Loans and advances to banks	55 426	—	(67)	—	(67)	55 359
Loans and advances to customers	749 772	(20)	(5 034)	(1 936)	(6 970)	742 782
Investments in associates and joint ventures[5]	1 235	—	(73)	(31)	(104)	1 131
Other assets[6]	202 172	55	1 149	530	1 679	203 906
Total assets	1 168 683	(160)	(4 037)	(1 437)	(5 474)	1 163 049
Liabilities						
Trading portfolio liabilities	64 047	(20)	—	—	—	64 027
Provisions[7]	2 945	—	574	—	574	3 519
Other liabilities[6]	993 185	—	(419)	—	(419)	992 766
Total liabilities	1 060 177	(20)	155	—	155	1 060 312
Equity						
Capital and reserves						
Attributable to ordinary equity holders:						
Share capital	1 691	—	—	—	—	1 691
Share premium	3 949	—	—	—	—	3 949
Retained earnings	87 982	—	(4 106)	(1 307)	(5 413)	82 569
Other reserves	4 240	(140)	45	(31)	14	4 114
Ordinary equity holders	97 862	(140)	(4 061)	(1 338)	(5 399)	92 323
Non-controlling interest – ordinary shares	4 500	—	(131)	(99)	(230)	4 270
Non-controlling interest – preference shares	4 644	—	—	—	—	4 644
Non-controlling interest – Additional Tier 1 capital	1 500	—	—	—	—	1 500
Total equity	108 506	(140)	(4 192)	(1 437)	(5 629)	102 737
Total liabilities and equity	1 168 683	(160)	(4 037)	(1 437)	(5 474)	1 163 049

1 Classification and measurement reclassifications relate to two portfolios:
- Short-term commodity-linked instruments that had embedded derivatives which were previously bifurcated under IAS 39, have been mandatorily classified at FVPTL under IFRS 9; and
- A portfolio of CPI-link investment securities that have been reclassified from available for sale to amortised cost.

2 Reflects the ECL impact on the adoption of IFRS 9, as previously presented as at 30 June 2018.
3 Reflects the financial impact of amending the Group's methodology for calculating the LGD on loans and advances to customers.
4 Relates predominantly to a central bank within Absa Regional Operations.
5 Reflects the change in the Group's share of net assets from associates and joint ventures due to their adoption of IFRS 9.
6 Relates to the adjustments to deferred tax and current tax assets.
7 The increase in the carrying value of provisions relates to the expected credit losses recognised on financial guarantee contracts, letters of credit and undrawn facilities (to the extent that it exceeds the gross carrying amount of loans and advances to customers at an account level).

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

17. Amendments due to developments in IFRS 9 accounting interpretations (continued)

The impact of the above changes on the Group's statement of financial position as at 30 June 2018 is set out in the following table:

		Restated	
	As previously reported 30 June 2018 Rm	Exclusion of PWOR from LGD Rm	30 June 2018 Rm
Assets			
Current tax assets	1 018	250	1 268
Loans and advances to customers	783 116	(1 945)	781 171
Investments in associates and joint ventures	1 217	(31)	1 186
Deferred tax assets	2 411	294	2 705
Total assets	1 234 643	(1 432)	1 233 211
Liabilities			
Total liabilities	1 115 124	—	1 115 124
Equity			
Capital and reserves			
Retained earnings	90 148	(1 307)	88 841
Other reserves	6 100	(26)	6 074
Non-controlling interest – ordinary shares	4 614	(99)	4 515
Total equity	119 519	(1 432)	118 087
Total liabilities and equity	1 234 643	(1 432)	1 233 211

The impact of the above changes on the Group's statement of comprehensive income for the period ended 30 June 2018 is set out in the following table:

		Restated	
	As previously reported 30 June 2018 Rm	Change in presentation of interest recoveries on cured stage 3 assets Rm	30 June 2018 Rm
Net interest income	21 363	(314)	21 049
Total income	37 630	(314)	37 316
Impairment losses	(3 431)	314	(3 117)
Profit for the period	7 904	—	7 904

18. Implementation of IFRS 16 Leases

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases, and it replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an arrangement contains a lease* (IFRIC 4), SIC–15 *Operating Leases – Incentives* (SIC-15) and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (SIC-27).

The key change of IFRS 16 is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities, for lease contracts with a term of more than 12 months, unless the underlying asset is of low value, eliminating the classification of leases as either operating leases or finance leases for a lessee. As a result, a depreciation charge for the right-of-use assets and interest expense on lease liabilities is recognised as opposed to a straight-line operating lease expense. Lessor accounting remains similar to the previous standard (IAS 17) in which lessors continue to classify leases as finance or operating leases.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 with no restatement of comparatives.

The Group elected the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases, and to use a single discount rate to a portfolio of leases with similar characteristics. Significant judgement was applied in determining the appropriate incremental borrowing rate to use. The rates used consider the tenor of the lease, currency of the lease, credit risk of the specific lessee and the economic environment. The Group determined incremental borrowing rates for each entity, for each currency in which they had lease contracts at the various tenors. The weighted average incremental rate, determined as at 1 January 2019, was between 5% and 23%. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at initial application was determined as the carrying amount of the leased asset and lease liability under IAS 17 at 31 December 2018.

[1] Includes an amount of **R4 143m** relating to the IFRS 16 lease liability, which is offset by the IAS 17 release of the straight-line lease liability of **R415m**.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

18. Implementation of IFRS 16 Leases (continued)

In the application of this model the Group has recognised the following at the date of initial application (unless the lease term is shorter than 12 months or the underlying asset is of low value):

- A lease liability for all leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate at the date of initial application; and
- A right-of-use asset, measured retrospectively, using the applicable entity's incremental borrowing rate at the date of initial application.

In impracticable cases, the Group measured the right-of-use asset at an amount equal to the lease liability, adjusted for any existing prepaid or accrued rentals.

18.1 The table below summarises the total impact of IFRS 16 on the Group's statement of changes in equity:

	Share capital and share premium Rm	Retained earnings Rm	Other reserves Rm	Capital and reserves attributable to ordinary equity Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest - preference shares Rm	Non-controlling interest - Additional Tier 1 capital Rm	Total equity Rm
Balance reported as at 31 December 2018	**11 860**	**91 237**	**6 387**	**109 484**	**4 737**	**4 644**	**2 741**	**121 606**
Impact of adopting IFRS 16	**—**	**(243)**	**—**	**(243)**	**(13)**	**—**	**—**	**(256)**
Adjusted balance as at 1 January 2019	**11 860**	**90 994**	**6 387**	**109 241**	**4 724**	**4 644**	**2 741**	**121 350**

18.2 The following table summarises the total impact of IFRS 16 on the Group's statement of financial position as at 1 January 2019:

	31 December 2018 Rm	Impact of initial adoption of IFRS 16 Rm	1 January 2019 Rm
Assets			
Property and equipment	15 835	**3 390**	**19 225**
Other assets	30 642	**(9)**	**30 633**
Deferred tax assets	3 431	**88**	**3 519**
Total assets	1 288 744	**3 469**	**1 292 213**
Liabilities			
Other liabilities[1]	36 662	**3 728**	**40 390**
Deferred tax liabilities	360	**(3)**	**357**
Total liabilities	1 167 138	**3 725**	**1 170 863**
Equity			
Capital and reserves			
Retained earnings	91 237	**(243)**	**90 994**
Non-controlling interest – ordinary shares	4 737	**(13)**	**4 724**
Total equity	121 606	**(256)**	**121 350**
Total liabilities and equity	1 288 744	**3 469**	**1 292 213**

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

18. Implementation of IFRS 16 Leases (continued)

18.3 The table below reconciles the previously disclosed operating lease commitments to the lease liabilities recognised on 1 January 2019:

	Rm
Operating lease commitments at 31 December 2018	6 020
Discounted using the incremental borrowing rate at 1 January 2019	(1 502)
Finance lease liabilities recognised	4 518
Reconciling items	
Previously disclosed commitments subject to recognition exemption	(375)
Lease liabilities recognised at 1 January 2019	4 143

19. Standards issued not yet effective

IFRS 17 – *Insurance contracts*

IFRS 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

In June 2019, the IASB proposed targeted amendments to IFRS 17 which aim to ease implementation of the standard. The amendments defer the effective date of the standard to reporting periods beginning on or after 1 January 2022. This is a deferral of one year compared to the current data published in IFRS 17 of 1 January 2021 and is subject to public consultation, which will take place in the latter half of 2019.

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the project, project design and model prototyping as well as the commencement of an impact assessment. This momentum has continued into 2019 where the primary focus for the first half of the year has been on data, systems and business processes. Detailed architectural design work has been performed including infrastructure, application interfaces and data considerations, and priority specifications have been compiled. Database considerations and groundwork for the required build continue to progress as planned. Base case methodologies and interpretations have been established which are being used in the transition and impact assessments that are underway, and work on the financial reporting and disclosure implications has continued.

Segment performance

71 WIMI (as previously disclosed) segment change

73 Segment performance overview

76 Segment report per market segment

78 Segment report per geographical segment

80 RBB South Africa

100 CIB South Africa

112 Absa Regional Operations

130 Head Office, Treasury and other operations in South Africa

WIMI (as previously disclosed) segment change

for the reporting period ended

The focus on a customer-centric growth strategy and providing seamless integration of banking and non-banking financial services to customers, identified an opportunity to integrate the businesses of RBB SA and WIMI into one client-facing franchise. The businesses previously reported under WIMI that are now reported as follows:

- Life insurance and Short-term insurance businesses have been combined to form the Insurance Cluster in RBB SA.
- Wealth, Distribution and Fiduciary Services have moved to Relationship Banking in RBB SA.
- WIMI Other[1] is part of Retail and Business Banking Other in RBB SA.
- Investment Management is reported in Head Office, Treasury and other operations in South Africa.
- Terminating lines are reported in Head Office, Treasury and other operations in South Africa.

	30 June 2018						
		Reallocation to other segments					
	WIMI as previously published Rm	Insurance Cluster Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	RBB SA Rm	Head Office, Treasury and other operations in SA Rm	Total Rm
Statement of comprehensive income							
Net interest income	154	13	123	2	138	16	154
Non-interest income	2 844	1 454	506	35	1 995	849	2 844
Total income	2 998	1 467	629	37	2 133	865	2 998
Impairment losses	18	—	18	—	18	—	18
Operating expenses	(1 776)	(542)	(544)	(297)	(1 383)	(393)	(1 776)
Other expenses	(84)	(78)	(7)	(3)	(88)	4	(84)
Operating profit before income tax	1 156	847	96	(263)	680	476	1 156
Tax expense	(397)	(324)	(32)	67	(289)	(108)	(397)
Profit for the reporting period	759	523	64	(196)	391	368	759
Headline earnings	646	544	71	(196)	419	227	646
Statement of financial position							
Loans and advances to customers	5 055	—	5 055	—	5 055	—	5 055
Loans and advances to banks	2 459	1 740	527	54	2 321	138	2 459
Investment securities	4 813	3 992	296	446	4 734	79	4 813
Other assets	39 129	31 330	1 615	5 217	38 162	967	39 129
Total assets	51 456	37 062	7 493	5 717	50 272	1 184	51 456
Deposits due to customers	5 165	—	5 165	—	5 165	—	5 165
Other liabilities	40 825	33 812	2 019	4 685	40 516	309	40 825
Total liabilities	45 990	33 812	7 184	4 685	45 681	309	45 990

[1] Refer to the RBB SA section 'Key business areas' for an overview of the composition of WIMI Other entries in Retail and Business Banking Other.

WIMI (as previously disclosed) segment change

for the reporting period ended

		31 December 2018 Reallocation to other segments					
	WIMI as previously published Rm	Insurance Cluster Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	RBB SA Rm	Head Office, Treasury and other operations in SA Rm	Total Rm
Statement of comprehensive income							
Net interest income	317	27	262	5	294	23	317
Non-interest income	5 514	3 012	1 032	3	4 047	1 467	5 514
Total income	5 831	3 039	1 294	8	4 341	1 490	5 831
Impairment losses	35	—	34	—	34	1	35
Operating expenses	(3 578)	(1 115)	(1 092)	(655)	(2 862)	(716)	(3 578)
Other expenses	(162)	(141)	(13)	(9)	(163)	1	(162)
Operating profit before income tax	2 126	1 783	223	(656)	1 350	776	2 126
Tax expense	(740)	(637)	(59)	151	(545)	(195)	(740)
Profit for the reporting period	1 386	1 146	164	(505)	805	581	1 386
Headline earnings	1 268	1 162	160	(505)	817	451	1 268
Statement of financial position							
Loans and advances to customers	5 734	—	5 734	—	5 734	—	5 734
Loans and advances to banks	2 520	2 216	70	63	2 349	171	2 520
Investment securities	4 218	3 422	299	415	4 136	82	4 218
Other assets	37 976	30 839	1 440	4 495	36 774	1 202	37 976
Total assets	50 448	36 477	7 543	4 973	48 993	1 455	50 448
Deposits due to customers	5 097	—	5 097	—	5 097	—	5 097
Other liabilities	39 850	33 014	2 039	4 350	39 403	447	39 850
Total liabilities	44 947	33 014	7 136	4 350	44 500	447	44 947

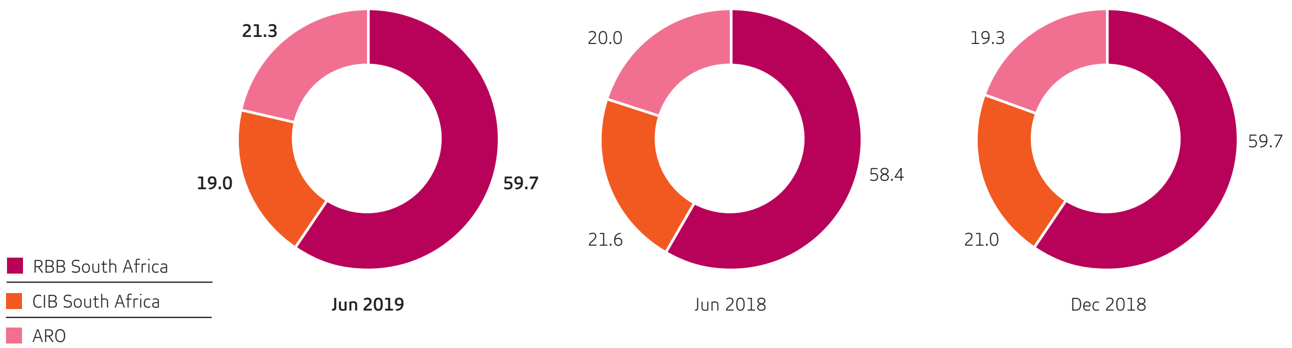
133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Segment performance overview

for the reporting period ended

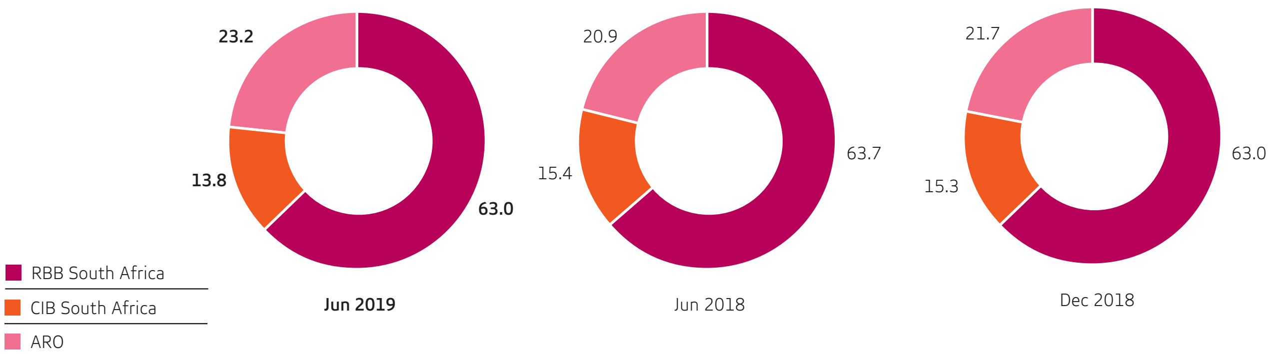
Performance per market segment

Headline earnings per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Headline earnings	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa	**4 847**	4 658	4	9 722
CIB South Africa	**1 546**	1 721	(10)	3 422
Absa Regional Operations	**1 727**	1 599	8	3 140
Head Office, Treasury and other operations in South Africa	**147**	65	>100	(156)
	8 267	8 043	3	16 128

Income per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Income	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa	**24 350**	23 078	6	47 200
CIB South Africa	**5 312**	5 580	(5)	11 487
Absa Regional Operations	**8 938**	7 558	18	16 307
Head Office, Treasury and other operations in South Africa	**471**	512	(8)	666
	39 071	36 728	6	75 660

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

Segment performance overview

for the reporting period ended

Segment reporting structure

The Group's main reportable segments are based on an operating model that is mainly driven by geography and customer as primary dimensions and are disclosed as the following market segments:

Absa Group Limited

RBB South Africa
- Home Loans
- Vehicle and Asset Finance
- Everyday Banking
- Relationship Banking
- Insurance Cluster
- RBB SA Other

CIB South Africa

Corporate Bank

Investment Bank
- Markets
- Banking
- Commercial Property Finance
- Private Equity and Infrastructure

Absa Regional Operations

RBB

CIB
- Corporate
- Investment Bank

Head Office, Treasury and other operations

Head Office, Treasury and other operations in South Africa[1]
- Enterprise Functions
- Group Treasury
- Consolidation Centre
- Investment Management
- Terminating Lines

Barclays separation effects
- Financial impact of the Barclays PLC separation to differentiate between normal business activities and the IFRS impact of the separation.

...... Normalised
—— IFRS

Operational metrics	30 June 2019	30 June 2018	Change %	31 December 2018
South Africa				
Outlets (including number of branches and sales centres)	**640**	698	(8)	671
ATMs	**8 802**	8 917	(1)	8 961
Africa regions				
Outlets (including number of branches and sales centres)	**394**	406	(3)	403
ATMs	**1 084**	1 102	(2)	1 108
Number of permanent and temporary employees	**39 763**	41 250	(4)	40 856
South Africa	**29 629**	31 317	(5)	30 819
Africa regions	**10 134**	9 933	2	10 037

[1] Includes Absa Manx Insurance Company.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

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Segment report per market segment

for the reporting period ended

	RBB South Africa				CIB South Africa			
	30 June			31 December	30 June			31 December
	2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]
Statement of comprehensive income (Rm)								
Net interest income	**12 760**	12 355	3	25 140	**3 523**	3 344	5	6 913
Non-interest income	**11 590**	10 723	8	22 060	**1 789**	2 236	(20)	4 574
Total income	**24 350**	23 078	6	47 200	**5 312**	5 580	(5)	11 487
Impairment losses	**(2 876)**	(2 396)	20	(4 522)	**(284)**	(381)	(25)	(998)
Operating expenses	**(13 976)**	(13 477)	4	(27 552)	**(3 113)**	(2 969)	5	(6 130)
Other expenses	**(313)**	(320)	(2)	(707)	**(37)**	(17)	>100	(36)
Operating profit before income tax	**7 185**	6 885	4	14 419	**1 878**	2 213	(15)	4 323
Tax expense	**(2 001)**	(2 002)	0	(4 158)	**(200)**	(386)	(48)	(695)
Profit for the reporting period	**5 184**	4 883	6	10 261	**1 678**	1 827	(8)	3 628
Profit attributable to:								
Ordinary equity holders	**4 835**	4 589	5	9 643	**1 546**	1 721	(10)	3 422
Non-controlling interest – ordinary shares	**138**	128	8	283	**—**	—	—	—
Non-controlling interest – preference shares	**107**	107	—	217	**67**	69	(3)	134
Non-controlling interest – Additional Tier 1	**104**	59	76	118	**65**	37	76	72
	5 184	4 883	6	10 261	**1 678**	1 827	(8)	3 628
Headline earnings	**4 847**	4 658	4	9 722	**1 546**	1 721	(10)	3 422
Operating performance (%)								
Net interest margin on average interest-bearing assets	**3.44**	3.59		3.55	**2.28**	2.39		2.36
Credit loss ratio	**1.12**	0.99		0.92	**0.18**	0.30		0.36
Non-interest income as % of income	**47.6**	46.5		46.7	**33.7**	40.1		39.8
Income growth	**6**	3		2	**(5)**	4		8
Operating expenses growth	**4**	6		6	**5**	5		11
Cost-to-income ratio	**57.4**	58.4		58.4	**58.6**	53.2		53.4
Statement of financial position (Rm)								
Loans and advances to customers	**490 493**	459 091	7	471 655	**289 028**	233 322	24	273 169
Loans and advances to banks	**14 701**	12 209	20	13 563	**45 507**	42 870	6	38 027
Investment securities	**47 596**	49 128	(3)	49 326	**41 940**	36 464	15	39 391
Other assets	**325 667**	286 562	14	317 447	**239 111**	227 171	5	181 952
Total assets	**878 457**	806 990	9	851 991	**615 586**	539 827	14	532 539
Deposits due to customers	**349 121**	309 806	13	338 235	**207 741**	183 733	13	173 832
Debt securities in issue	**—**	181	(100)	—	**12 587**	11 109	13	11 565
Other liabilities	**516 847**	488 320	6	500 847	**390 332**	339 617	15	340 009
Total liabilities	**865 968**	798 307	8	839 082	**610 660**	534 459	14	525 406
Financial performance (%)								
RoRWA[2]	**2.67**	2.82		2.84	**1.48**	1.79		1.75
RoA	**1.15**	1.18		1.20	**0.55**	0.71		0.67
RoRC[3]	**22.5**	22.8		23.3	**13.3**	16.3		15.9

[1] These numbers have been restated, refer to the report overview on the inside front cover.

[2] The RoRWA includes Insurance cluster returns, but risk weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.

[3] As Absa Regional Operations consists primarily of a set of legal entities, the denominator in the RoRC for Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

Absa Regional Operations				Head Office, Treasury and other operations in South Africa				Normalised Group performance			
30 June			31 December	30 June			31 December	30 June			31 December
2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018
6 043	5 132	18	11 153	**341**	43	>100	219	**22 667**	20 874	9	43 425
2 895	2 426	19	5 154	**130**	469	(72)	447	**16 404**	15 854	3	32 235
8 938	7 558	18	16 307	**471**	512	(8)	666	**39 071**	36 728	6	75 660
(548)	(335)	64	(794)	**13**	(5)	<(100)	(10)	**(3 695)**	(3 117)	19	(6 324)
(5 074)	(4 378)	16	(9 625)	**27**	(10)	<(100)	(335)	**(22 136)**	(20 834)	6	(43 642)
(130)	(95)	37	(200)	**(280)**	(400)	(30)	(710)	**(760)**	(832)	(9)	(1 653)
3 186	2 750	16	5 688	**231**	97	>100	(389)	**12 480**	11 945	4	24 041
(1 085)	(891)	22	(1 984)	**(99)**	(43)	>100	71	**(3 385)**	(3 322)	2	(6 766)
2 101	1 859	13	3 704	**132**	54	>100	(318)	**9 095**	8 623	5	17 275
1 741	1 611	8	3 159	**136**	51	>100	(321)	**8 258**	7 972	4	15 903
360	248	45	545	**(4)**	3	<(100)	3	**494**	379	30	831
—	—	—	—	**—**	—	—	—	**174**	176	(1)	351
—	—	—	—	**—**	—	—	—	**169**	96	76	190
2 101	1 859	13	3 704	**132**	54	>100	(318)	**9 095**	8 623	5	17 275
1 727	1 599	8	3 140	**147**	65	>100	(156)	**8 267**	8 043	3	16 128
7.35	7.63		7.62	**n/a**	n/a		n/a	**4.52**	4.69		4.64
0.94	0.72		0.78	**n/a**	n/a		n/a	**0.79**	0.75		0.73
32.4	32.1		31.6	**n/a**	n/a		n/a	**42.0**	43.2		42.6
18	(2)		5	**n/a**	n/a		n/a	**6**	2		4
16	2		7	**n/a**	n/a		n/a	**6**	4		5
56.8	57.9		59.0	**n/a**	n/a		n/a	**56.7**	56.7		57.7
102 028	87 504	17	96 214	**816**	1 254	(35)	682	**882 365**	781 171	13	841 720
14 605	13 068	12	11 278	**(7 866)**	(5 304)	48	(9 728)	**66 947**	62 843	7	53 140
36 875	34 321	7	36 043	**3 076**	7 524	(59)	10 660	**129 487**	127 437	2	135 420
49 998	43 936	14	48 382	**(320 778)**	(286 040)	12	(292 509)	**293 998**	271 629	8	255 272
203 506	178 829	14	191 917	**(324 752)**	(282 566)	15	(290 895)	**1 372 797**	1 243 080	10	1 285 552
139 901	127 459	10	133 656	**100 945**	93 493	8	90 582	**797 708**	714 491	12	736 305
2 298	860	>100	1 363	**149 436**	128 632	16	148 043	**164 321**	140 782	17	160 971
38 940	28 339	37	34 087	**(653 533)**	(576 456)	13	(599 520)	**292 586**	279 820	5	275 423
181 139	156 658	16	169 106	**(403 152)**	(354 331)	14	(360 895)	**1 254 615**	1 135 093	11	1 172 699
1.64	1.92		1.70	**n/a**	n/a		n/a	**2.02**	2.21		2.12
1.77	2.06		1.83	**n/a**	n/a		n/a	**1.26**	1.40		1.34
18.5	19.5		18.1	**n/a**	n/a		n/a	**n/a**	n/a		n/a

Segment report per geographical segment

for the reporting period ended

	South Africa			
	30 June			31 December
	2019	2018[1]	Change %	2018[1]
Statement of comprehensive income (Rm)				
Net interest income	**16 609**	15 728	6	32 242
Non-interest income	**13 276**	13 258	0	26 689
Total income	**29 885**	28 986	3	58 931
Impairment losses	**(3 147)**	(2 782)	13	(5 530)
Operating expenses	**(16 839)**	(16 270)	3	(33 596)
Other expenses	**(624)**	(722)	(14)	(1 432)
Operating profit before income tax	**9 275**	9 212	1	18 373
Tax expenses	**(2 301)**	(2 412)	(5)	(4 748)
Profit for the reporting period	**6 974**	6 800	3	13 625
Profit attributable to:				
Ordinary equity holders	**6 494**	6 397	2	12 798
Non-controlling interest – ordinary shares	**137**	131	5	286
Non-controlling interest – preference shares	**174**	176	(1)	351
Non-controlling interest – Additional Tier 1	**169**	96	76	190
	6 974	6 800	3	13 625
Headline earnings	**6 517**	6 481	1	13 046
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.97**	4.17		4.09
Credit loss ratio	**0.76**	0.75		0.72
Non-interest income as % of income	**44.6**	45.8		45.3
Income growth	**3**	3		3
Cost growth	**3**	5		5
Cost-to-income ratio	**56.2**	56.1		57.0
Statement of financial position (Rm)				
Loans and advances to customers	**780 337**	693 667	12	745 506
Loans and advances to banks	**51 694**	49 005	5	41 191
Investment securities	**91 898**	92 417	(1)	98 640
Other assets	**242 032**	226 106	7	205 367
Total assets	**1 165 961**	1 061 195	10	1 090 704
Deposits due to customers	**657 807**	587 032	12	602 649
Debt securities in issue	**162 023**	139 922	16	159 608
Other liabilities	**251 061**	249 154	1	239 147
Total liabilities	**1 070 891**	976 108	10	1 001 404
Financial performance (%)				
RoRWA	**2.16**	2.32		2.28
RoA	**1.17**	1.31		1.27

[1] These numbers have been restated, refer to the report overview on the inside front cover.

	Africa regions					Normalised Group performance				
	30 June				31 December	30 June				31 December
	2019	2018[1]	CCY%	Change %	2018[1]	2019	2018[1]	CCY%	Change %	2018
	6 058	5 146	9	18	11 183	22 667	20 874	7	9	43 425
	3 128	2 596	13	20	5 546	16 404	15 854	2	3	32 235
	9 186	7 742	11	19	16 729	39 071	36 728	5	6	75 660
	(548)	(335)	52	64	(794)	(3 695)	(3 117)	18	19	(6 324)
	(5 297)	(4 564)	8	16	(10 046)	(22 136)	(20 834)	5	6	(43 642)
	(136)	(110)	15	24	(221)	(760)	(832)	(9)	(9)	(1 653)
	3 205	2 733	9	17	5 668	12 480	11 945	3	4	24 041
	(1 084)	(910)	14	19	(2 018)	(3 385)	(3 322)	1	2	(6 766)
	2 121	1 823	7	16	3 650	9 095	8 623	4	5	17 275
	1 764	1 575	4	12	3 105	8 258	7 972	2	4	15 903
	357	248	29	44	545	494	379	21	30	831
	—	—	—	—	—	174	176	(1)	(1)	351
	—	—	—	—	—	169	96	77	76	190
	2 121	1 823	7	16	3 650	9 095	8 623	4	5	17 275
	1 750	1 562	4	12	3 082	8 267	8 043	1	3	16 128
	7.34	7.60			7.60	4.52	4.69			4.64
	0.94	0.72			0.77	0.79	0.75			0.73
	34.1	33.5			33.2	42.0	43.2			42.6
	19	(2)			4	6	2			4
	16	1			7	6	4			5
	57.7	59.0			60.0	56.7	56.7			57.7
	102 028	87 504	17	17	96 214	882 365	781 171	13	13	841 720
	15 253	13 838	14	10	11 949	66 947	62 843	7	7	53 140
	37 589	35 020	10	7	36 780	129 487	127 437	2	2	135 420
	51 966	45 523	18	14	49 905	293 998	271 629	9	8	255 272
	206 836	181 885	16	14	194 848	1 372 797	1 243 080	11	10	1 285 552
	139 901	127 459	11	10	133 656	797 708	714 491	12	12	736 305
	2 298	860	>100	>100	1 363	164 321	140 782	17	17	160 971
	41 525	30 666	41	35	36 276	292 586	279 820	5	5	275 423
	183 724	158 985	18	16	171 295	1 254 615	1 135 093	11	11	1 172 699
	1.65	1.85			1.66	2.02	2.21			2.12
	1.76	1.98			1.77	1.26	1.40			1.34

RBB South Africa

for the reporting period ended

RBB SA headline earnings grew 4% to **R4 847m** (30 June 2018: R4 658m) as pre-provision profit increased by **8%**, and impairments were 20% higher than June 2018.

Asset production momentum

continued in 2019 with the majority of the portfolios delivering faster growth than the market.

Positive Jaws of 2% reflects operating cost growth of 4%

which is slower than Income growth of 6%.

Gross loans and advances grew by 7% to R514bn,

improving from 3% growth in June 2018.

Operating expenses contained to 4%,

despite further restructuring provisions incurred during the period.

Deposits grew 13% to R349bn

which is in excess of market growth over the period.

Return on Regulatory Capital (RoRC) remained healthy at 22.5%

(30 June 2018: 22.8%) above cost of equity of 13.25%.

Non-interest income grew 8%

Credit loss ratio increased by 13 bps

to **1.12%** (30 June 2018: 0.99%).

Cost-to-income ratio has improved to 57.4%

from 58.4% in June 2018.

Salient features	30 June 2019	30 June 2018[1]	Change %	31 December 2018[1]
Income (Rm)	**24 350**	23 078	6	47 200
Pre-provision profit (Rm)	**10 374**	9 601	8	19 648
Headline earnings (Rm)	**4 847**	4 658	4	9 722
Credit loss ratio (%)	**1.12**	0.99		0.92
Cost-to-income ratio (%)	**57.4**	58.4		58.4
RoRWA (%)	**2.67**	2.82		2.84
RoA (%)	**1.15**	1.18		1.20
RoRC (%)	**22.5**	22.8		23.3

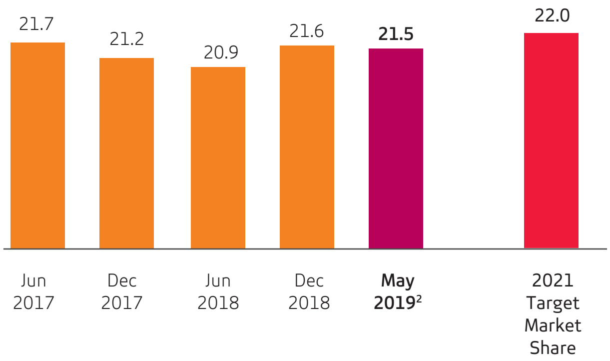
Headline earnings by segment	30 June 2019 Rm	30 June 2018[1] Rm	Change %	31 December 2018[1] Rm
RBB South Africa	**4 847**	4 658	4	9 722
Home Loans	**750**	803	(7)	1 565
Vehicle and Asset Finance	**122**	26	>100	212
Everyday Banking	**1 998**	1 794	11	4 024
Relationship Banking	**1 684**	1 625	4	3 439
Insurance Cluster	**584**	544	7	1 162
Retail and Business Banking Other	**(291)**	(134)	>100	(680)

[1] These numbers have been restated, refer to the report overview on the inside front cover.

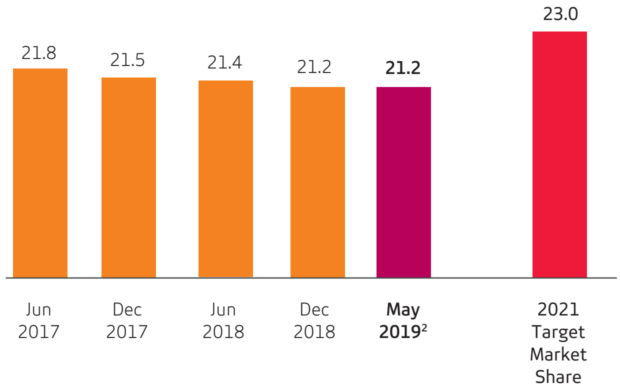
RBB South Africa

for the reporting period ended

Retail Deposits stock market share (%) [1]



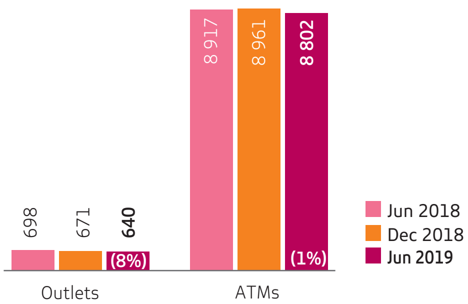
Retail Banking Advances stock market share (%) [1]



Digital footprint (thousands and change %)

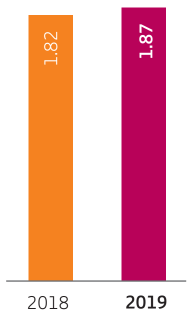
The number of Absa Banking App users continued the strong growth

Physical footprint (number and change %)



Outlets declined 8% linked to cost transformation programme

Retail and Business Banking Penetration rate (average number)



Average number of products per customer increased marginally

[1] These numbers have been restated, refer to the report overview on the inside front cover.
[2] Source: SARB BA900, 30 June 2019 numbers were not available at time of printing.

RBB South Africa

for the reporting period ended

Business profile

RBB offers a comprehensive suite of banking and insurance products and services to individual, enterprise and commercial customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Changes to RBB business model and reportable segments

The focus on a customer-centric growth strategy and providing seamless integration of banking and non-banking financial services to customers, identified an opportunity to integrate the businesses of RBB SA and WIMI into one client-facing franchise. The businesses previously reported under WIMI that are now included in RBB SA are:

- Life insurance and short-term insurance businesses have been combined to form the Insurance Cluster;
- Wealth, Fiduciary Services and Distribution have been integrated into Relationship Banking; and
- WIMI Other is included as part of Retail and Business Banking Other.

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking** – offers the day-to-day banking services for the retail customer and includes:
  - **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
  - **Personal Loans** – offers unsecured instalment loans through face-to-face engagements and digital channels.
  - **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.
- **Relationship Banking** – consists of the business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional & deposit products), Private Banking, Wealth, Fiduciary Services and Distribution.

  Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Insurance Cluster**
  - **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is also available to the retail market
- **Retail and Business Banking Other** – includes investment spend, cost associated with the restructure, holding companies and related consolidation entries and allocated shareholder overhead expenses.

RBB South Africa

for the reporting period ended

	Home Loans				Vehicle and Asset Finance			
	30 June			31 December	30 June			31 December
	2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]
Statement of comprehensive income (Rm)								
Net interest income	**1 986**	1 942	2	3 882	**1 150**	1 062	8	2 170
Non-interest income	**228**	225	1	467	**265**	255	4	518
Total income	**2 214**	2 167	2	4 349	**1 415**	1 317	7	2 688
Impairment losses	**(147)**	(55)	>100	(113)	**(548)**	(512)	7	(1 022)
Operating expenses	**(947)**	(929)	2	(1 919)	**(759)**	(773)	(2)	(1 474)
Other expenses	**(17)**	(14)	21	(31)	**62**	23	>100	114
Operating profit before income tax	**1 103**	1 169	(6)	2 286	**170**	55	>100	306
Tax expenses	**(303)**	(329)	(8)	(647)	**(24)**	(9)	>100	(52)
Profit for the reporting period	**800**	840	(5)	1 639	**146**	46	>100	254
Profit attributable to:								
Ordinary equity holders	**749**	803	(7)	1 565	**121**	26	>100	212
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—
Non-controlling interest – preference shares	**26**	24	8	48	**13**	13	—	27
Non-controlling interest – additional Tier 1	**25**	13	92	26	**12**	7	71	15
	800	840	(5)	1 639	**146**	46	>100	254
Headline earnings	**750**	803	(7)	1 565	**122**	26	>100	212
Operating performance (%)								
Credit loss ratio	**0.13**	0.05		0.05	**1.39**	1.42		1.37
Non-interest income as % of income	**10.3**	10.4		10.7	**18.7**	19.4		19.3
Income growth	**2**	(9)		(11)	**7**	5		6
Operating expenses growth	**2**	4		2	**(2)**	17		6
Cost-to-income ratio	**42.8**	42.9		44.1	**53.7**	58.6		54.8
Statement of financial position (Rm)								
Loans and advances to customers	**231 315**	226 026	2	227 086	**78 970**	73 123	8	76 772
Loans and advances to banks	**640**	569	12	771	**—**	—	—	43
Investment securities	**11 635**	12 513	(7)	12 684	**3 957**	3 934	1	4 193
Other assets	**11 306**	7 366	53	8 479	**3 015**	2 533	19	2 657
Total assets	**254 896**	246 474	3	249 020	**85 942**	79 590	8	83 665
Deposits due to customers	**1 473**	1 603	(8)	1 542	**—**	—	—	—
Debt securities in issue	**—**	181	(100)	—	**—**	—	—	—
Other liabilities	**252 336**	244 144	3	246 287	**84 921**	79 461	7	83 350
Total liabilities	**253 809**	245 928	3	247 829	**84 921**	79 461	7	83 350
Financial performance (%)								
RoRWA	**1.96**	2.30		2.16	**0.55**	0.12		0.49
RoA	**0.60**	0.66		0.63	**0.29**	0.07		0.27

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Everyday Banking				Relationship Banking				Insurance Cluster			
30 June			31 December	30 June			31 December	30 June			31 December
2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]
6 300	5 994	5	12 216	3 628	3 537	3	7 245	13	13	—	27
6 125	5 538	11	11 357	3 118	2 986	4	6 155	1 521	1 454	5	3 012
12 425	11 532	8	23 573	6 746	6 523	3	13 400	1 534	1 467	5	3 039
(1 995)	(1 675)	19	(3 108)	(188)	(149)	26	(277)	—	—	—	—
(7 305)	(7 028)	4	(14 157)	(4 066)	(3 986)	2	(8 003)	(612)	(542)	13	(1 115)
(87)	(82)	6	(171)	(57)	(25)	>100	(126)	(64)	(78)	(18)	(141)
3 038	2 747	11	6 137	2 435	2 363	3	4 994	858	847	1	1 783
(844)	(775)	9	(1 729)	(672)	(688)	(2)	(1 456)	(273)	(324)	(16)	(637)
2 194	1 972	11	4 408	1 763	1 675	5	3 538	585	523	12	1 146
1 999	1 794	11	4 220	1 687	1 616	4	3 419	584	525	11	1 149
137	130	5	286	—	—	—	—	1	(2)	<(100)	(3)
29	31	(6)	(63)	38	38	—	77	—	—	—	—
29	17	71	(35)	38	21	81	42	—	—	—	—
2 194	1 972	11	4 408	1 763	1 675	5	3 538	585	523	12	1 146
1 998	1 794	11	4 024	1 684	1 625	4	3 439	584	544	7	1 162
4.93	4.58		4.13	0.32	0.28		0.25	n/a	n/a		n/a
49.3	48.0		48.2	46.2	45.8		45.9	n/a	n/a		n/a
8	4		3	3	3		3	5	18		16
4	5		3	2	4		2	13	0		8
58.8	60.9		60.1	60.3	61.1		59.7	39.9	36.9		36.7
61 714	55 495	11	57 779	118 493	104 447	13	110 017	—	—	—	—
11 112	8 450	32	9 567	312	734	(57)	301	1 983	1 740	14	2 216
3 439	3 441	(0)	3 576	12 267	12 092	1	12 314	3 266	3 992	(18)	3 422
214 808	193 637	11	208 683	52 354	43 954	19	58 432	32 179	31 330	3	30 839
291 073	261 023	12	279 605	183 426	161 227	14	181 064	37 428	37 062	1	36 477
214 073	191 122	12	205 624	133 563	117 069	14	131 057	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
73 963	68 938	7	70 880	46 556	41 781	11	45 824	34 115	33 812	1	33 014
288 036	260 060	11	276 504	180 119	158 850	13	176 881	34 115	33 812	1	33 014
3.88	3.70		4.02	2.67	2.78		2.88	n/a	n/a		n/a
1.46	1.45		1.57	1.87	2.02		2.03	3.13	2.94		3.12

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Retail and Business Banking Other				Retail and Business Banking South Africa			
30 June			31 December	30 June			31 December
2019	2018[1]	Change %	2018[1]	2019	2018[1]	Change %	2018[1]
(317)	(193)	64	(400)	**12 760**	12 355	3	25 140
333	265	26	551	**11 590**	10 723	8	22 060
16	72	(78)	151	**24 350**	23 078	6	47 200
2	(5)	<(100)	(2)	**(2 876)**	(2 396)	20	(4 522)
(287)	(219)	31	(884)	**(13 976)**	(13 477)	4	(27 552)
(150)	(144)	4	(352)	**(313)**	(320)	(2)	(707)
(419)	(296)	42	(1 087)	**7 185**	6 885	4	14 419
115	123	(7)	363	**(2 001)**	(2 002)	0	(4 158)
(304)	(173)	76	(724)	**5 184**	4 883	6	10 261
(305)	(175)	74	(922)	**4 835**	4 589	5	9 643
—	—	—	—	**138**	128	8	283
1	1	—	128	**107**	107	—	217
—	1	(100)	70	**104**	59	76	118
(304)	(173)	76	(724)	**5 184**	4 883	6	10 261
(291)	(134)	>100	(680)	**4 847**	4 658	4	9 722
n/a	n/a		n/a	**1.12**	0.99		0.92
n/a	n/a		n/a	**47.6**	46.5		46.7
n/a	n/a		n/a	**6**	3		2
n/a	n/a		n/a	**4**	6		6
n/a	n/a		n/a	**57.4**	58.4		58.4
1	—	100	1	**490 493**	459 091	7	471 655
654	716	(9)	665	**14 701**	12 209	20	13 563
13 032	13 156	(1)	13 137	**47 596**	49 128	(3)	49 326
12 005	7 742	55	8 357	**325 667**	286 562	14	317 447
25 692	21 614	19	22 160	**878 457**	806 990	9	851 991
12	12	—	12	**349 121**	309 806	13	338 235
—	—	—	—	**—**	181	(100)	—
24 956	20 185	24	21 493	**516 847**	488 320	6	500 847
24 968	20 197	24	21 505	**865 968**	798 307	8	839 082
n/a	n/a		n/a	**2.67**	2.82		2.84
n/a	n/a		n/a	**1.15**	1.18		1.20

RBB South Africa

for the reporting period ended

Business performance

RBB SA transformation began with the implementation of a redesigned operating model and organisational structure in the 1st half of 2018 to support the new growth strategy. This implementation was completed in early 2019 bringing with it a simplified organisation and efficient decision-making across the business units. Each business unit has clearly defined metrics to track performance and targets to drive market outperformance. The business made significant progress in delivering against these targets, despite a tough trading environment, including the following:

- Home Loans registrations have increased **16%** while the market grew 7% (Lightstone);
- Personal loans production increased **20%** with a marked improvement in the digital and voice channels;
- VAF production delivered positive growth of **2%** in a market that declined 3.9% (NAAMSA);
- Total credit card limits increased **15%** with a good mix of limit increases on the backbook and limits issued to new customers;
- Retail deposits grew **12%** while the market increased only **9%**;
- Relationship Banking advances increased **13%** mainly in the commercial segment;
- Credit and debit card turnover increased **9%** and **8%** respectively;
- Merchant acquiring turnover increased **11%**;
- The average number of products per customer improved to **1.87** (June 2018: 1.82); and
- The rate of digital adoption improved by **5%** to **30.8%** with a **20%** increase in the number of app users.

Challenges experienced in the year included:

- Increase in fraud, particularly incidents related to social engineering (phishing and vishing) and card fraud;
- Increased competitor activity in the secured portfolios; and
- Margin compression in the deposits portfolio as customers sought better yields on their investments.

Asset production momentum continued into 2019 supported by improved acquisition strategies, internal processes and leveraging digital and voice channels, while risk appetite remained unchanged and translated into **7%** growth in gross loans and advances to **R514bn** (30 June 2018: R482bn). The improved performance is starting to reflect in the BA900 market share with share in advances stabilising while Retail deposit share has increased year-on-year.

Credit lending early vintages were stable across the portfolio and remained within tolerable risk threshold. The delinquency profile also improved across the portfolio with Stages 2 and 3 reducing by 40 bps and 30 bps respectively. The improvement was primarily driven by strong management focus on enhancing collections performance. The expected credit loss allowance increased **3%** to **R23.4bn** (30 June 2018: R22.8bn), mostly driven by Stage 3 growth which was mainly a function of the extended litigation process pertaining to collateral realisation on the secured portfolio

The extension of litigation processes for collateral realisation on secured products has increased the ageing within the respective legal books with a resultant increase in coverage ratios. The new regulations are now business as usual and progress is being made in eliminating the backlog.

The business implemented a focused multiyear cost transformation plan which leverages digital capabilities to improve customer experience while driving operational efficiencies. This resulted in a positive Jaws of **2%**, while the cost-to-income ratio improved to **57.4%** (30 June 2018: 58.4%).

The focus on digitising the bank has already yielded an engaged and digitally active base, as seen in the following metrics:

- The app user base increased 20%;
- Frequency of app use increased from once every five days in 2016 to once every three days;
- Number of app log-ins increased from 3.4m to 14.8m since 2016; and
- The average product holding of customers who use the app was 1.5 more than that of non-app customers.

Some of the key enhancements made to the banking app to further improve customer experience were:

- New to bank account opening capability;
- Enhanced fraud detection and prevention tools;
- Western Union international funds remittance;
- In app credit limit increases;
- In app overdrafts for pre-approved customers; and
- Credit card temporary pause feature.

Looking ahead, the focus is to build a single client facing franchise through:

- Executing on the growth strategy;
- Integration of the insurance cluster, wealth and distribution businesses to complete the customer value proposition; while
- Remaining cognisant of the macro environment.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Business unit performance (continued)

Home Loans

The housing market remained subdued throughout the first half of 2019, with continued financial pressure on households and low consumer confidence.

- ▼ **National house price inflation index decreased by 0.8 percentage point to 3.4%,** from 4.2% in December 2018 (2017: 4.9%) (Lightstone).
- ▼ **Absa homeowner sentiment index declined by 4 percentage points to 73%** for the first quarter of 2019, from 77%.

Despite challenging market conditions, new mortgages registered by the industry saw a year-to-date (YTD) growth of 7% (Lightstone – May YTD).

Home Loans has focused on delivering on its growth objectives through:

- › Embedding risk appetite revised in 2018 aimed at 'giving the right customer, the right proposition' with a focus on selecting quality customers in higher loan to value (LTV) buckets.
- › Extensively re-engaging with the market, focusing on the relationships with mortgage originators.
- › Improved operational efforts aimed at enhancing the customer experience specifically through reducing the time between application and instruction.

This has resulted in:

- ▲ **An increase in the average LTV on new mortgages** registered to **87%** (30 June 2018: 84%).
- ▲ **Turnaround times reducing by 15%** from first half 2018.
- ▲ **Growth of 16% in new mortgages registered,** against market growth of 7% (Lightstone – May YTD).
- ▲ **An increase in flow market share to 21.7%** (2018: 19.7%) (Lightstone – May YTD).
- ▲ **New mortgages registered originated by mortgage originator's increased** by 24.4%.
- ▲ **An improvement of 15 bps year on year** in the average concession.

Gross loans and advances grew **2%** to **R236bn** (30 June 2018: R231bn), underpinned by the growth in the value of mortgages registered which was delivered without a change in risk appetite. Market share, per BA900 remained stable at **23%**.

Headline earnings declined by **7%** to **R750m** (30 June 2018: R803m) due to increased impairments.. However, pre-provision profit grew **2%** from higher revenues and well contained costs.

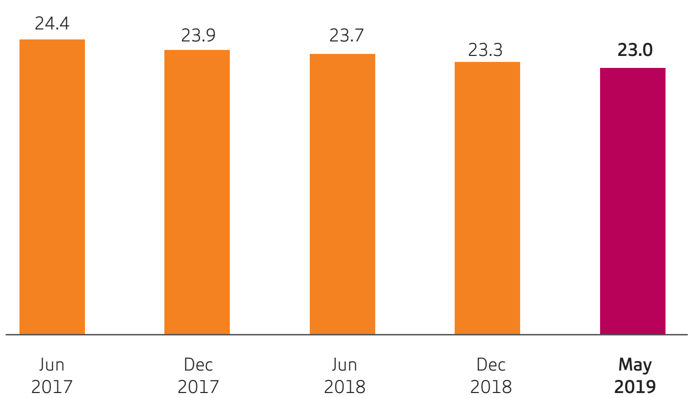
Income grew **2%** to **R2 214m** (30 June 2018: R2 167m) in line with book growth as improved front book pricing offset the run-off of the back book.

Impairments increased to **R147m** (30 June 2018: R55m) primarily due to the increase in stage 3 loan coverage to **26.25%** (30 June 2018: 24.98%). This increase is due to the increased legal book as a result of the changes to the sale in execution processes, sanctioned by the High Court, which have delayed the timing of write-offs. The credit loss ratio increased to **0.13%** (30 June 2018: 0.05%).

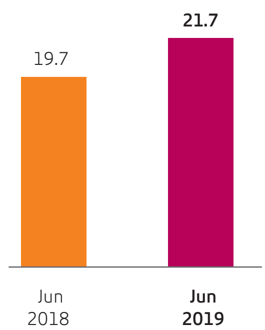
Looking ahead Home Loans will focus on:

- › Maintaining a continuous and consistent presence in the market;
- › Claiming a leadership position for first-time home buyers;
- › Bringing our customers home when they re-mortgage;
- › Creating an end-to-end digital channel experience for our customers; and
- › Enhancing collection capabilities to actively manage delinquencies.

Mortgages stock market share (%)[1]



Mortgage flow market share (%)



[1] Source: SARB BA900, 30 June 2019 numbers were not available at time of printing.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Vehicle and Asset Finance

The domestic vehicle sales market contracted during the first half of 2019 due to the continued financial pressure on customers:

- **Market vehicle sales declined 3.9%** for the period ending June 2019 (NAAMSA)[1].
- **Vehicle price inflation averaged 3.6%** for the first six months of the year (StatsSA).
- **The new and used financed vehicle market decreased 8.6% and 7.0%** respectively for the period ending June 2019 (Transunion)[2].

VAF has focused on delivering on its growth objectives through:

- Strengthening dealer relationships with an integrated RBB value proposition and optimising the dealer services;
- Embedding a strengthened regional leadership model;
- Improved collections strategies and operational models; and
- Digitising dealer experiences.

The above has resulted in:

- **Production increasing by 2%** in a contracting market.
- **Used vehicle market share improving to 17.3%** from 15.3% in 2018 (Transunion).
- **Improved stage 2 delinquency levels** from December 2018.

Financial performance

Gross loans and advances to customers grew **8%** to **R82bn** (30 June 2018: R76bn) supported by positive production growth with new business quality remaining stable and performance in line with expectations.

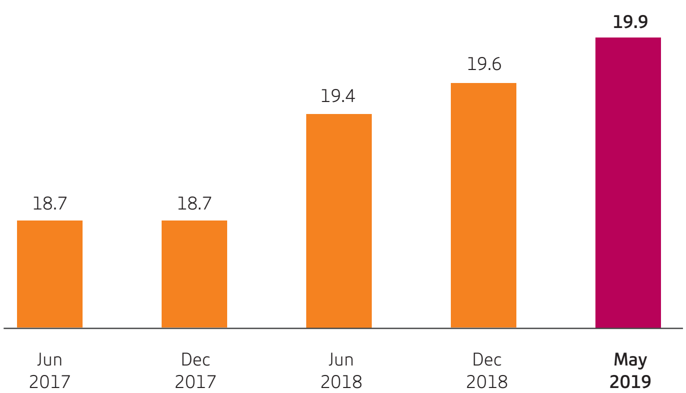
Headline earnings improved to **R122m** (30 June 2018: R26m) due to Income growth of **7%** to **R1 415m** (30 June 2018: R1 317m) as well as a reduction in costs.

Impairments increased **7%** to **R548m** (30 June 2018: R512m) in line with book growth as improvements in early arrears offset some pressure in late cycles and legal. This resulted in a decrease in the credit loss ratio to **1.39%** (30 June 2018: 1.42%). The stage 3 loan coverage increased to **39.37%** (30 June 2018: 37.89%) primarily due to ageing within the legal book as a result of a lengthening of the collateral realisation process.

Looking ahead, VAF will continue to focus on key areas, including:

- Improving returns through the quality of new production;
- Strengthening and streamlining our collections capabilities to enable increased acquisitions;
- Implementing a customer end-to-end asset acquisition solution to enhance customer and dealer service experience; and
- Strengthening key partnerships with industry stakeholders.

VAF stock market share (%)[3]



[1] NAAMSA stats for new vehicles.
[2] Transunion stats for new and used vehicles.
[3] Source: SARB BA900, 30 June 2019 numbers were not available at time of printing.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Business unit performance (continued)

Everyday Banking

Economic headwinds and consumer credit health dampened household spending

- ▼ **Consumption spending growth continued to be subdued** as consumers faced a weak labour market and economy
- ▼ **Tightening credit market** with a rise in rejection rates on consumer credit applications

Everyday Banking focused on delivering on its growth objectives through:

- A deliberate focus on growing core middle and affluent segments;
- Growing deposits through differentiated products and rates;
- Improving the onboarding experience across products and channels; and
- Optimising the sales channel mix through delivery of innovative digital propositions.

This has resulted in:

- ▲ **Deposits increase of 12%** exceeding market growth of 9%.
- ▲ **New credit card limits granted to new customers** and limits extended to existing customers increasing 40% and 90% respectively, while total limits grew 15%.
- ▲ **Personal loans production growth of 20%** while maintaining risk appetite.
- ▲ **Sales of new cheque accounts growing 7%.**
- ▲ **Growth of 7% in the affluent segment** while the core middle segment remained stable.
- ▲ **Improvements in sales performance of digital and voice channels** without reducing branch sales volumes.

Financial performance

Gross loans and advances increased by **10%** to **R72bn** (30 June 2018: R66bn), driven by the improved production volumes across the product set.

The portfolio risk distribution and the risk appetite on the flow production was stable despite the growth in the lending book. The rate of delinquencies improved by **2.2%** to **16.4%** (30 June 2018:18.6%) through strong collections performance in most portfolios.

Retail deposits grew **12%** to **R214bn** (30 June 2018: R191bn), primarily driven by the growth in investment products through targeted marketing campaigns.

Headline earnings grew **11%** to **R1 998m** (30 June 2018: R1 794m) driven by a 14% increase in pre-provision profit partially offset by a **19%** increase in impairments.

Net interest income increased **5%** to **R6 300m** (June 2018: R5 994m) driven by growth in advances and deposits portfolios and improvement in the personal loans margin offset by margin compression on deposits due to a higher composition of investment deposits.

Non-interest income increased **11%** to **R6 125m** (June 2018: R5 538m) driven by growth in card transaction volumes, with debit card and credit card turnover increasing **8%** and **9%** respectively and cheque account growth.

Impairments increased **19%** to **R1 995m** (June 2018: R1 675m), due to **11%** growth in the lending book across the cluster, a one-off recovery in the prior year, slightly offset by the impact of improved collections and recoveries performance. The credit loss rate increased to **4.93%** (June 2018: 4.58%). Stage 3 loan coverage decreased marginally to **68.31%** (June 2018: 69.49%) given the improving book construct.

Looking ahead, Everyday Banking will focus on the following:

- Further improvements to the current sales channel mix;
- Growing responsibly through the right mix of quality, pricing and enhanced origination capability;
- Further expansion and improvements of our digital capability; and
- Refinement of the credit and collection strategies supported by appropriate capabilities.

4 Normalised Group performance
70 Segment performance
132 IFRS Group performance
155 Risk management
175 Appendices
6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

RBB South Africa

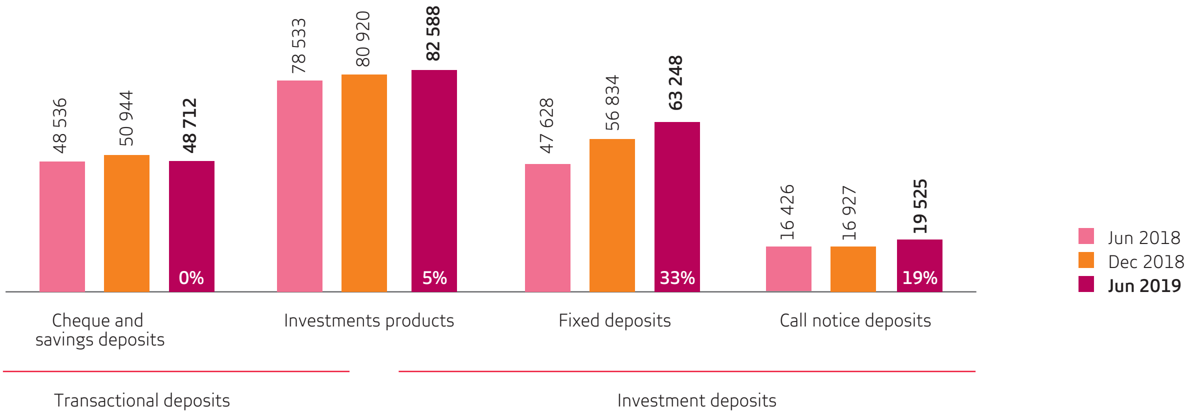
for the reporting period ended

Business unit performance (continued)

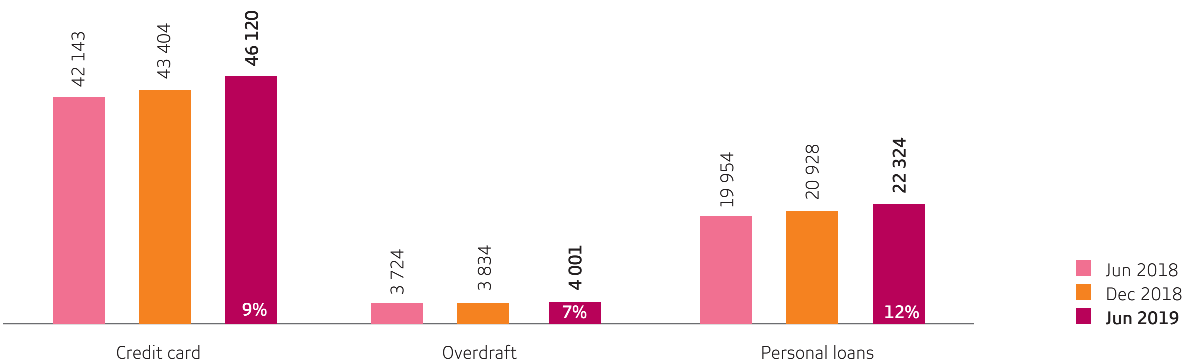
Everyday Banking (continued)

Financial performance (continued)

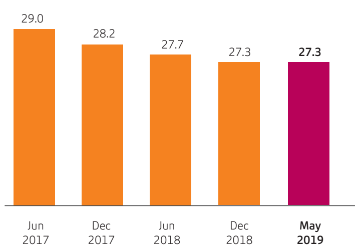
Deposits (Rm and change %)[1]



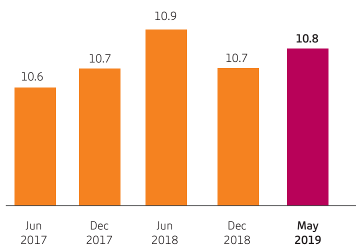
Gross loans (Rm and change %)[1]



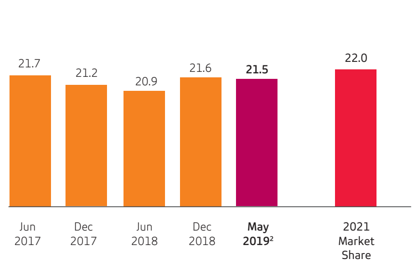
Credit card stock market share (%)[2]



Personal loans stock market share (%)[2]



Retail Deposits stock market share (%)[1]



1 These numbers have been restated, refer to the report overview on the inside front cover.
2 Source: SARB BA900, 30 June 2019 numbers were not available at time of printing.

133 | IFRS salient features
134 | Financials
145 | Notes to the financials
150 | Segment performance
152 | Barclays separation
156 | Risk management overview
168 | Capital management and RWA
176 | Share performance
177 | Shareholder information and diary
178 | Glossary
185 | Abbreviations and acronyms
187 | Contact information

Business unit performance (continued)

Relationship Banking

The operating model change required alignment of the organisation structure, which provided the opportunity to simplify and optimise the structure to be closer to colleagues and customers. The first half of this year was focused on embedding the changes to the operating model, improving frontline capabilities to service customers with a specific focus on simplifying onboarding and fulfilment processes, enhancing our credit capabilities and improving customer experience.

Relationship Banking launched its Universal Banker model with the objective to serve both a customer personal financial and business needs. In parallel, the focus has been on leveraging the internal ecosystem through initiatives with VAF and its Dealer network, Home Loans and its Conveyancer panel and Absa's Suppliers and these initiatives are starting to pay dividends.

Financial performance

Gross loans and advances to customers increased by **13%** to **R123bn** (30 June 2018: R109bn) reflecting the continued momentum across the respective lending products mainly in the commercial segment while growth in the Enterprise segment is slowing in line with softer macro-economic and current operating environment.

Deposits increased by **14%** to **R134bn** (30 June 2018: R117bn) reflecting continued strong growth in both transactional and savings and investment products which increased by **13%** and **15%** respectively driven by new product development and growth in the focused segments.

Headline Earnings increased **4%** to **R1 684m** (30 June 2018: R1 625m), reflecting pre-provision profit growth of **6%** and positive Jaws of **1%**.

Net Interest Income increased by **3%** to **R3 628m** (30 June 2018: R3 537m) reflecting healthy growth in advances and deposits partially offset by margin compression in asset backed lending portfolios from faster growth in the lower margin corporate segment and deposit margin compression due to a higher composition of lower margin savings and investment deposits.

Non-Interest Income increased by **4%** to **R3 118m** (30 June 2018: R2 986m) reflecting, strong Acquiring-related revenues growth up **15%** driven by merchant turnover increasing by **11%** and revenues from value added service increasing by **35%**. The core Relationship Banking transactional franchise delivered mixed results with growth in core transactional banking offset by pressure in cash-related revenue streams.

Impairments increased **26%** to **R188m** (30 June 2018: R149m) due to normalisation of the loss experience in Commercial Asset Finance and macro-linked deterioration in the Small Medium Enterprise (SME) segment in the first quarter of 2019 partially offset by recoveries in Wealth and Commercial Property Finance. The credit loss ratio increased to **0.32%** (30 June 2018: 0.28%). Stage 3 loan coverage increased to **53.41%** (30 June 2018: 51.52%).

Looking ahead, Relationship Banking will continue to focus on:

- The rollout of the Universal Banker model and expanding focus to leverage the ecosystem;
- Growing presence in the young and self-employed professionals;
- Redefining the value proposition for entrepreneurs;
- Diversifying the premium segment into key growth sectors and products;
- Optimising cash offerings; and
- Enabling front-line staff.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

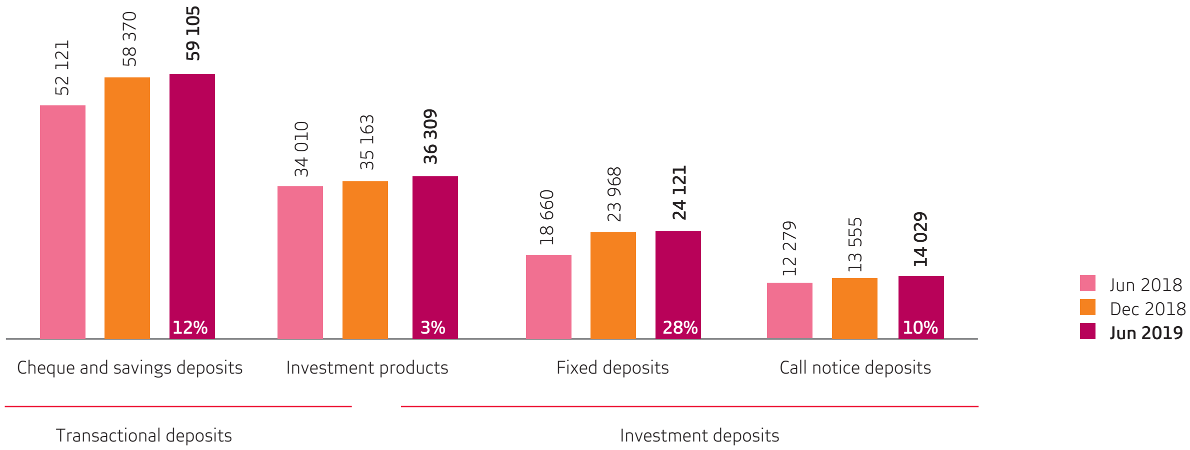
RBB South Africa

for the reporting period ended

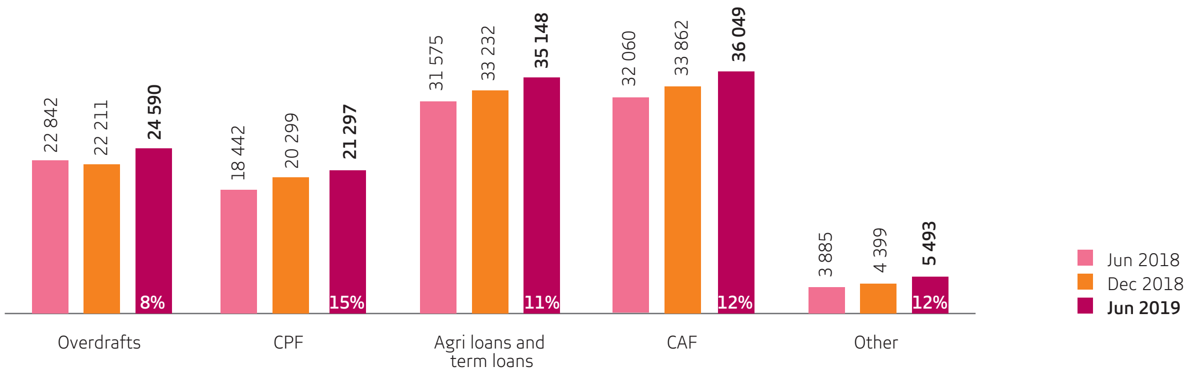
Business unit performance (continued)

Relationship Banking (continued)

Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



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4 Normalised Group performance
70 Segment performance
132 IFRS Group performance
155 Risk management
175 Appendices
6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

RBB South Africa

for the reporting period ended

	Life Insurance			
	30 June			31 December
	2019 Rm	2018 Rm	Change %	2018 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	1 927	1 744	10	3 675
Net insurance claims and benefits paid	(718)	(636)	13	(1 305)
Investment income				
Policyholder investment contracts	1 316	442	>100	178
Policyholder insurance contracts	141	1	>100	(6)
Changes in investment and insurance contract liabilities				
Policyholder investment contracts	(1 269)	(320)	>100	132
Policyholder insurance contracts	(19)	99	<(100)	177
Other income[2]	12	44	(73)	61
Gross operating income	1 390	1 374	1	2 912
Net commission paid by insurance companies[2]	(385)	(405)	(5)	(852)
Operating expenses	(331)	(297)	11	(591)
Other expenses	(58)	(64)	(9)	(125)
Net operating income	616	608	1	1 344
Investment income on shareholder funds	59	33	79	46
Taxation expense	(215)	(249)	(14)	(517)
Profit for the period	460	392	17	873
Headline earnings	455	399	14	869
Note (Rm)				
Investment income				
Policyholder investment contracts	1 316	442	>100	178
Net interest income	523	424	23	1 055
Dividend income	161	136	18	285
Fair value gains/(losses)	632	(118)	<(100)	(1 162)
Policyholder insurance contracts	141	1	>100	(6)
Net interest income	61	58	5	112
Dividend income	7	7	—	16
Fair value gains/(losses)	73	(64)	<(100)	(134)
Shareholder funds	59	33	79	46
Net interest income	55	31	77	71
Dividend income	3	9	(67)	14
Fair value gains/(losses)s	1	(7)	<(100)	(39)
Total	1 516	476	>100	218
Net interest income	639	513	25	1 238
Dividend income	171	152	13	315
Fair value gains/(losses)	706	(189)	<(100)	(1 335)

	South Africa			
	30 June			31 December
Insurance Cluster per geographical segment	2019 Rm	2018 Rm	Change %	2018 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	3 129	2 947	6	6 024
Net insurance claims and benefits	(1 639)	(1 476)	11	(2 994)
Gross operating income	1 710	1 753	(2)	3 620
Operating expenses	(404)	(374)	8	(738)
Net operating income	702	764	(8)	1 630
Profit for the reporting period	549	546	1	1 173
Headline earnings	549	558	(2)	1 183

[1] These numbers have been restated, refer to the report overview on the inside front cover.
[2] Includes impairment losses on loans and advances.
[3] Includes internal commission, eliminated on consolidation.

RBB South Africa

for the reporting period ended

Short-term Insurance				**Insurance Cluster**			
30 June			31 December	30 June			31 December
2019 Rm	2018[1] Rm	Change %	2018[1] Rm	**2019 Rm**	2018[1] Rm	Change %	2018[1] Rm
1 712	1 609	6	3 242	**3 639**	3 353	9	6 917
(1 136)	(1 041)	9	(2 126)	**(1 854)**	(1 677)	11	(3 431)
—	—	—	—	**1 316**	442	>100	178
31	25	24	53	**172**	26	>100	47
—	—	—	—	**(1 269)**	(320)	>100	132
—	—	—	—	**(19)**	99	<(100)	177
40	35	14	96	**52**	79	(34)	157
647	628	3	1 265	**2 037**	2 002	2	4 177
(253)	(233)	9	(477)	**(638)**	(638)	—	(1 329)
(281)	(245)	15	(524)	**(612)**	(542)	13	(1 115)
(6)	(14)	(57)	(16)	**(64)**	(78)	(18)	(141)
107	136	(21)	248	**723**	744	(3)	1 592
76	70	9	145	**135**	103	31	191
(58)	(75)	(23)	(120)	**(273)**	(324)	(16)	(637)
125	131	(5)	273	**585**	523	12	1 146
129	145	(11)	293	**584**	544	7	1 162
—	—	—	—	**1 316**	442	>100	178
—	—	—	—	**523**	424	23	1 055
—	—	—	—	**161**	136	18	285
—	—	—	—	**632**	(118)	<(100)	(1 162)
31	25	24	53	**172**	26	>100	47
31	25	24	53	**92**	83	11	165
—	—	—	—	**7**	7	—	16
—	—	—	—	**73**	(64)	<(100)	(134)
76	70	9	145	**135**	103	31	191
71	65	9	136	**126**	96	31	207
2	1	100	1	**5**	10	(50)	15
3	4	(25)	8	**4**	(3)	<(100)	(31)
107	95	13	198	**1 623**	571	>100	416
102	90	13	189	**741**	603	23	1 427
2	1	100	1	**173**	153	13	316
3	4	(25)	8	**709**	(185)	<(100)	(1 327)

Africa regions				**Insurance Cluster**			
30 June			31 December	30 June			31 December
2019 Rm	2018[1] Rm	Change %	2018[1] Rm	**2019 Rm**	2018[1] Rm	Change %	2018[1] Rm
510	406	26	893	**3 639**	3 353	9	6 917
(215)	(201)	7	(437)	**(1 854)**	(1 677)	11	(3 431)
327	249	31	557	**2 037**	2 002	2	4 177
(208)	(168)	24	(377)	**(612)**	(542)	13	(1 115)
21	(20)	<(100)	(38)	**723**	744	(3)	1 592
36	(23)	<(100)	(27)	**585**	523	12	1 146
35	(14)	<(100)	(21)	**584**	544	7	1 162

RBB South Africa

for the reporting period ended

	Insurance Cluster			
	30 June			31 December
	2019 Rm	2018[1] Rm	Change %	2018[1] Rm
Statement of financial position				
Assets				
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**28 066**	27 864	1	27 399
Cash balances and loans and advances to banks	**2 063**	1 997	3	2 068
Investment securities	**26 003**	25 867	1	25 331
Policyholder insurance contracts	**3 998**	3 866	3	3 396
Cash balances and loans and advances to banks	**1 031**	1 001	3	1 044
Investment securities	**2 035**	2 043	(0)	1 779
Reinsurance assets	**932**	822	13	573
Shareholder funds	**3 802**	3 670	4	4 396
Cash balances and loans and advances to banks	**2 567**	1 717	50	2 717
Investment securities	**1 235**	1 953	(37)	1 679
Other assets	**1 234**	1 338	(8)	952
Property and equipment	**328**	324	1	334
Total assets	**37 428**	37 062	1	36 477
Liabilities				
Liabilities under investment contracts	**28 028**	27 869	1	27 388
Policyholder liabilities under insurance contracts	**4 506**	4 366	3	4 034
Other liabilities	**1 453**	1 520	(4)	1 46
Other liabilities	**1 349**	1 406	(4)	1 371
Other liabilities relating to investment contracts	**104**	114	(9)	95
Deferred tax liabilities	**128**	57	>100	126
Total liabilities	**34 115**	33 812	1	33 014
Equity				
Capital and reserves	**3 132**	3 066	2	3 282
Non-controlling interest	**181**	184	(2)	181
Total equity	**3 313**	3 250	2	3 463
Total liabilities and equity	**37 428**	37 062	1	36 477

[1] These numbers have been restated, refer to the report overview on the inside front cover.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance Cluster

The operating environment for the first half of the year has remained subdued driven by:

- **Increased policyholder indebtedness** leading to an increase in lapse rates and fraudulent claims.
- **Increased weather-related claims** across Southern Africa.

Insurance Cluster has focused on the continued integration of insurance and bank value propositions in a way that delivers increased customer value. In the first half of the year the Insurance Cluster successfully delivered the following:

- Enhanced product offerings aiding improved sales stemming from integration initiatives with RBB relating to the life business achieving approximately 100 000 new business sales per month in South Africa;
- Progressing with the integration of our digital insurance capabilities (Instant Life) into RBB, more than doubling the Embedded Value of New Business (EVNB) of the Instant Life business over the reporting period;
- Improved our collection and retention processes through the application of data analytics improving collection success to **89%** (30 June 2018: 87%) on standalone business in South Africa Life;
- New Business volumes increased by **18.4%** and **3.2%** for Homeowners Comprehensive and unsecured credit life sales respectively on the back of improved lending momentum in RBB;
- Continued progress with building the digital short-term insurer (new online quoting tool) reducing quote time from 30 to 2.5 minutes leading to improved sales experience;
- Re-engineering of claims and supplier management to improve service delivery in our short-term business; and
- Continued focus on profitability in the Africa Regional Insurance Operations.

Life Insurance

Net insurance premium income increased by 10% to **R1 927m** (30 June 2018: R1 744m), while headline earnings grew by 14% to **R455m** (30 June 2018: R399m). Claims have grown by **13%** while the shareholder investment income has increased by **79%** due to the volatile equity performance in the previous year, the business has amended the mandate in 2019, removing equity exposure. EVNB grew by **8%** due to an improved performance from the Absa Life Regional Operations.

	30 June			31 December
Salient features – Life Insurance	**2019**	2018	Change %	2018
Shareholders' net assets (Rm)	**1 736**	1 705	2	1 894
Cost of solvency capital (Rm)	**(176)**	(328)	(46)	(180)
Value of business in force (Rm)	**4 846**	4 427	9	4 749
Embedded value (Rm)	**6 406**	5 804	10	6 452
Embedded value earnings (Rm)	**458**	690	(34)	1 717
Return on embedded value (%)	**14.6**	26.6		31.3
EVNB (Rm)	**291**	270	8	690
Value of new business as a percentage of the present value of future premiums (%) (gross)	**9.6**	8.7		13.7

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance Cluster (continued)

Life Insurance (continued)

South Africa Life

Headline earnings for the South African Life business has grown by **3%** to **R403m** (30 June 2018: R392m) mainly due to the growth of **9%** in net premiums as well as the growth in the shareholder income of **79%**, which was partly offset by the increase in claims of **16%**.

Net premiums increased by 9% to **R1 643m** (30 June 2018: R1 509m) due to the launch of an enhanced funeral offering in the branch channel and credit life sales on the back of improved lending momentum in RBB. The business continues to see strong growth in our digital Life business (Instant Life) through further integration into the bank and improved call centre efficiencies.

Policyholder claims have increased by 16% to **R646m** (30 June 2018: R556m) primarily due to an increase in claims activity in credit life card, group schemes and bundled books, driven by increased mortality, retrenchment and disability claim events.

Shareholder investment income has increased 79% to **R56m** (30 June 2018: R31m) due to a change in mandate to primarily interest-bearing investments.

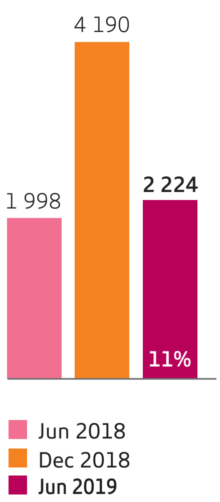
Africa Life

The headline earnings for Africa Life has grown by more than a 100% as a result of a non-recurring negative reinsurance adjustment experienced in the prior year.

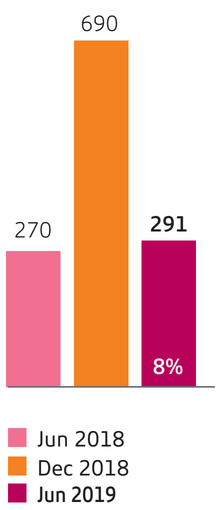
Net premium income grew **21%** driven by increased group schemes and education business in Kenya and increased credit life and groups schemes premium in Botswana.

EVNB has increased by **175%** for Africa Life as a result of significantly improved results in Zambia and Kenya.

Gross premium income (Rm and change %)



Value of new business (Rm and change %)



RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance Cluster (continued)

Short-term Insurance

Short-term Insurance headline earnings declined by **11%** to **R129m** (30 June 2018: R145m). Net insurance premium income improved by **6%**, while underwriting margin decreased to **4.2%** (30 June 2018: 6.3%). The reduction in underwriting margins and headline earnings can largely be attributed to adverse weather conditions across both South Africa and the African regional geographies.

	30 June		31 December
Salient features – Short-term Insurance	**2019**	2018	2018
Underwriting margin (%)[1]	**4.2**	6.3	5.6
Loss ratio (%)	**66**	65	66

South Africa Short-term Insurance

Headline earnings declined 11% to **R147m** (30 June 2018: R165m). The underwriting margin decreased to 7.3% (30 June 2018: 9.9%) largely due to the catastrophe (CAT) event related to storms and flooding experienced on the east coast of KZN and much of the interior in April 2019. There was also a significant increase in non-CAT claims with the number of storm claims doubling that of the prior year contributing to an **8%** increase in net claims cost and a loss ratio of **66.8%** (30 June 2018: 64.0%). The impact of the excess storm claims has been offset through the continued impact of pricing and claims cost containment initiatives.

Net insurance premium income increased by **3%** to **R1 486m** (30 June 2018: R1 437m). The increase in premiums is largely attributable to improved new business and retentions in the Homeowners Comprehensive book with lending momentum in Home Loans also contributing favourably. The direct book continues to grow at healthy levels with pricing and upselling initiatives delivering results. The growth rate has been adversely impacted by a greater than anticipated decline in the Personal lines intermediated book following the sale of the brokerage to PSG, and slower sales through the new tied agency channel.

Africa Short-term Insurance

Africa Short-term Insurance operations reported a 10% increase in headline earnings to a loss of **R18m** (30 June 2018: R20m loss). This was due to increased premiums as well as portfolio management actions and claims cost containment initiatives, which directly improved the year-on-year underwriting result. The loss ratio remained flat at **64.8%** (30 June 2018: 64.8%) despite cyclone Idai and Kenneth in Mozambique which impacted profitability by R4m.

Looking ahead

The Insurance Cluster will continue to focus on the following key strategic themes:

- **Optimise the integration with RBB** through improved product offerings and processes enhancing customer experience and new business sales;
- Enhance **digital insurance capabilities** and offerings through integration into the bank platforms and processes;
- **Improve product propositions and grow channels** in SA and ARO through RBB integration and partnership initiatives; and
- Focus on **business optimisation** through improved retention and collections through the application of data science.

[1] Underwriting margins are reported before adjusting for the once-off systems impairments.

CIB

for the reporting period ended

The CIB business across the continent is managed as a combined franchise. The commentary that follows focuses on the performance in South Africa, while incorporating a view of how the combined business performed; hereafter referred to as Total CIB.

CIB SA

CIB South Africa headline earnings declined by 10% to **R1 546m** (30 June 2018: R1 721m) in a challenging operating environment, reflecting lower income, down 5% to **R5 312m** (30 June 2018: R5 580m); and higher operating costs, up 5% to **R3 113m** (30 June 2018: R2 969m). This was partly offset by lower credit impairments, down 25% to **R284m** (30 June 2018: R381m).

Key performance highlights for the period include the following:

Continued growth momentum in Corporate,

delivering double-digit income growth of 10% to **R2 594m** (30 June 2018: R2 361m).

The Commercial Property Finance business continues to grow

with a good quality portfolio, income up 31% to **R290m** (30 June 2018: R222m).

Lower credit impairments

with a credit loss ratio of **0.18%** (30 June 2018: 0.30%).

Strong balance sheet growth

with customer loans up 24% to **R289bn** (30 June 2018: R233bn); and customer deposits up 13% to **R208bn** (30 June 2018: R184bn).

Negative Jaws

of (10%), driven by a decline in revenue of 5%.

Non-interest income declined

by 20% and now contributes 34% to total income (from 40% in the prior year); this is an area of focus for the business.

Markets income declined

by 28% to **R1 202m** (30 June 2018: R1 678m) adversely impacted by difficult trading conditions.

Lower return on regulatory capital,

despite efficient capital management.

Operating expenses growth contained

to 5% despite high incremental run costs following the separation from Barclays PLC.

	30 June			31 December
CIB SA salient features	**2019**	2018[1]	Change %	2018[1]
Income (Rm)	**5 312**	5 580	(5)	11 487
Headline earnings (Rm)	**1 546**	1 721	(10)	3 422
Pre-provision profit (Rm)	**2 199**	2 611	(16)	5 357
Cost-to-income ratio (%)	**58.6**	53.2		53.4
Credit loss ratio (%)	**0.18**	0.30		0.36
RoRWA (%)	**1.48**	1.79		1.75
RoA (%)	**0.55**	0.71		0.67
RoRC (%)	**13.3**	16.3		15.9

[1] These numbers have been restated, refer to the report overview on the inside front cover.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

CIB

for the reporting period ended

Total CIB

Total CIB headline earnings declined by 5% to **R2 780m** (30 June 2018: R2 920m, down 8% in constant currency); impacted by operating costs growth of 10% (up 8% in constant currency) and credit impairments growth of 3% (up 3% in constant currency). This was slightly offset by income growth of 3% to **R8 851m** (30 June 2018: R8 568m, up 1% in constant currency).

Key performance highlights for the period include the following:

▲ **Strong income growth across the Corporate franchise,**
up 13% to **R5 109m** (30 June 2018: R4 530m, up 9% in constant currency).

▲ **ARO regions now contribute 40%**
to total income (up from 35%) as the business continues to diversify its sources of income.

▲ **Strong performance from Markets ARO**
due to increased volumes and profitability, up 25% to **R1 024m** (30 June 2018: R819m, up 17% in constant currency).

▲ **Strong return on regulatory capital**
of **18.0%** exceeded the Group cost to equity, although down on prior year (30 June 2018: 22.0%).

▼ **High operating cost growth of 10%**
to **R4 522m** (30 June 2018: R4 120m, up 8% in constant currency).

▼ **Lower headline earnings**
with ARO growth of 3% offset by a decline in SA of 10%.

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

CIB South Africa

for the reporting period ended

	Corporate			
	30 June			31 December
	2019	2018[1]	Change %	2018[1]
Statement of comprehensive income (Rm)				
Net interest income	**1 859**	1 707	9	3 613
Non-interest income	**735**	654	12	1 377
Total income	**2 594**	2 361	10	4 990
Impairment losses	**(266)**	(43)	>100	(231)
Operating expenses	**(1 538)**	(1 531)	(0)	(3 051)
Other expenses	**7**	40	(83)	49
Operating profit before income tax	**797**	827	(4)	1 757
Tax expenses	**(215)**	(232)	(7)	(489)
Profit for the reporting period	**582**	595	(2)	1 268
Profit attributable to:				
Ordinary equity holders	**539**	562	(4)	1 203
Non-controlling interest – preference shares	**22**	24	(8)	45
Non-controlling interest – additional Tier 1	**21**	9	>100	20
	582	595	(2)	1 268
Headline earnings	**539**	562	(4)	1 202
Operating performance (%)				
Net interest margin on average interest-bearing assets	**2.65**	2.44		2.55
Credit loss ratio	**0.65**	0.13		0.32
Non-interest income as % of income	**28.3**	27.7		27.6
Income growth	**10**	9		10
Operating expenses growth	**(0)**	14		12
Cost-to-income ratio	**59.3**	64.8		61.1
Statement of financial position (Rm)				
Loans and advances to customers	**77 190**	68 713	12	86 754
Loans and advances to banks	**11 326**	6 049	87	8 899
Investment securities	**4 593**	5 067	(9)	4 839
Other assets	**79 319**	73 416	8	47 021
Total assets	**172 428**	153 245	13	147 513
Deposits due to customers	**165 269**	146 965	12	137 298
Debt securities in issue	**—**	—	—	—
Other liabilities	**6 438**	5 627	14	8 915
Total liabilities	**171 707**	152 592	13	146 213
Financial performance (%)				
RoRWA	**1.58**	1.93		1.97
RoA	**0.72**	0.75		0.80

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Investment Bank				Total CIB South Africa			
30 June			31 December	30 June			31 December
2019	2018[1]	Change %	2018[1]	**2019**	2018[1]	Change %	2018[1]
1 664	1 637	2	3 300	**3 523**	3 344	5	6 913
1 054	1 582	(33)	3 197	**1 789**	2 236	(20)	4 574
2 718	3 219	(16)	6 497	**5 312**	5 580	(5)	11 487
(18)	(338)	(95)	(767)	**(284)**	(381)	(25)	(998)
(1 575)	(1 438)	10	(3 079)	**(3 113)**	(2 969)	5	(6 130)
(44)	(57)	(23)	(85)	**(37)**	(17)	>100	(36)
1 081	1 386	(22)	2 566	**1 878**	2 213	(15)	4 323
15	(154)	<(100)	(206)	**(200)**	(386)	(48)	(695)
1 096	1 232	(11)	2 360	**1 678**	1 827	(8)	3 628
1 007	1 159	(13)	2 219	**1 546**	1 721	(10)	3 422
45	45	—	89	**67**	69	(3)	134
44	28	57	52	**65**	37	76	72
1 096	1 232	(11)	2 360	**1 678**	1 827	(8)	3 628
1 007	1 159	(13)	2 220	**1 546**	1 721	(10)	3 422
1.97	2.33		2.19	**2.28**	2.39		2.36
0.02	0.36		0.38	**0.18**	0.30		0.36
38.8	49.1		49.2	**33.7**	40.1		39.8
(16)	1		6	**(5)**	4		8
10	(2)		10	**5**	5		11
58.0	44.6		47.4	**58.6**	53.2		53.4
211 838	164 609	29	186 415	**289 028**	233 322	24	273 169
34 181	36 821	(7)	29 128	**45 507**	42 870	6	38 027
37 347	31 397	19	34 552	**41 940**	36 464	15	39 391
159 792	153 755	4	134 931	**239 111**	227 171	5	181 952
443 158	386 582	15	385 026	**615 586**	539 827	14	532 539
42 472	36 768	16	36 534	**207 741**	183 733	13	173 832
12 587	11 109	13	11 565	**12 587**	11 109	13	11 565
383 894	333 990	15	331 094	**390 332**	339 617	15	340 009
438 953	381 867	15	379 193	**610 660**	534 459	14	525 406
1.43	1.73		1.65	**1.48**	1.79		1.75
0.49	0.68		0.62	**0.55**	0.71		0.67

Total CIB

for the reporting period ended

	Corporate				
	30 June				31 December
	2019	2018[1]	CCY%	Change %	2018[1]
Statement of comprehensive income (Rm)					
Net interest income	**4 008**	3 569	8	12	7 654
Non-interest income	**1 101**	961	12	15	2 023
Total income	**5 109**	4 530	9	13	9 677
Impairment losses	**(384)**	(54)	>100	>100	(263)
Operating expenses	**(2 613)**	(2 393)	6	9	(4 953)
Other expenses	**(6)**	27	<(100)	<(100)	22
Operating profit before income tax	**2 106**	2 110	(4)	(0)	4 483
Tax expenses	**(570)**	(553)	1	3	(1 244)
Profit for the reporting period	**1 536**	1 557	(6)	(1)	3 239
Profit attributable to:					
Ordinary equity holders	**1 373**	1 435	(8)	(4)	3 017
Non-controlling interest – ordinary shares	**120**	89	20	35	157
Non-controlling interest – preference shares	**22**	24	(35)	(8)	45
Non-controlling interest – Additional Tier 1	**21**	9	100	>100	20
	1 536	1 557	(6)	(1)	3 239
Headline earnings	**1 374**	1 434	(8)	(4)	3 016
Statement of financial position (Rm)					
Loans and advances to customers	**129 954**	113 830	14	14	135 770
Loans and advances to banks	**11 326**	6 048	87	87	8 927
Investment securities	**5 238**	5 636	(6)	(7)	5 185
Other assets	**95 990**	89 042	8	8	64 310
Total assets	**242 508**	214 556	13	13	214 192
Deposits due to customers	**227 874**	203 738	12	12	195 818
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**14 079**	10 680	33	32	16 520
Total liabilities	**241 953**	214 418	13	13	212 338
Financial performance (%)					
RoRWA	**2.25**	2.91			2.87
RoA	**1.25**	1.41			1.43
RoRC	**20.4**	26.5			26.2

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Investment Bank					Total CIB				
30 June				31 December	30 June				31 December
2019	2018[1]	CCY%	Change %	2018[1]	**2019**	2018[1]	CCY%	Change %	2018[1]
1 665	1 630	2	2	3 289	**5 673**	5 199	6	9	10 943
2 077	2 408	(15)	(14)	4 912	**3 178**	3 369	(7)	(6)	6 935
3 742	4 038	(8)	(7)	8 201	**8 851**	8 568	1	3	17 878
(18)	(338)	(95)	(95)	(767)	**(402)**	(392)	3	3	(1 030)
(1 909)	(1 727)	9	11	(3 747)	**(4 522)**	(4 120)	8	10	(8 700)
(48)	(60)	(21)	(20)	(93)	**(54)**	(33)	55	64	(71)
1 767	1 913	(9)	(8)	3 594	**3 873**	4 023	(6)	(4)	8 077
(205)	(308)	(33)	(33)	(578)	**(775)**	(861)	(11)	(10)	(1 822)
1 562	1 605	(4)	(3)	3 016	**3 098**	3 162	(5)	(2)	6 255
1 406	1 486	(7)	(5)	2 777	**2 779**	2 921	(8)	(5)	5 794
67	46	29	46	98	**187**	135	23	39	255
45	45	(37)	—	89	**67**	69	(36)	(3)	134
44	28	100	57	52	**65**	37	100	76	72
1 562	1 605	(4)	(3)	3 016	**3 098**	3 162	(5)	(2)	6 255
1 406	1 486	(7)	(5)	2 778	**2 780**	2 920	(8)	(5)	5 794
211 838	164 609	29	29	186 415	**341 792**	278 439	23	23	322 185
37 481	38 299	(2)	(2)	29 981	**48 807**	44 347	10	10	38 908
37 426	31 530	19	19	34 628	**42 664**	37 166	15	15	39 813
173 554	161 988	8	7	147 151	**269 544**	251 030	8	7	211 461
460 299	396 426	16	16	398 175	**702 807**	610 982	15	15	612 367
42 472	36 771	16	16	36 534	**270 346**	240 509	13	12	232 352
12 587	11 109	13	13	11 565	**12 587**	11 109	13	13	11 565
401 301	344 060	17	17	344 145	**415 380**	354 740	17	17	360 665
456 360	391 940	17	16	392 244	**698 313**	606 358	15	15	604 582
1.81	2.07			1.90	**2.00**	2.41			2.31
0.66	0.86			0.75	**0.86**	1.06			1.00
16.2	18.8			17.4	**18.0**	22.0			21.1

CIB

for the reporting period ended

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this we will create shared growth for clients, colleagues and communities.

Key business areas

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

- Corporate – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base.
- Investment Bank comprising:
  - **Markets** – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - **Banking** – structures innovative solutions to meet clients' strategic financing and risk management requirements across industry sectors;
  - **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross-border financing in other jurisdictions; and
  - **Private Equity and Infrastructure Investments (PEII)** – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

Financial performance

CIB SA

In South Africa, headline earnings declined by 10% to **R1 546m** (30 June 2018: R1 721m) owing to lower income, down 5% to **R5 312m** (30 June 2018: R5 580m), coupled with higher operating expenses growth of 5% to **R3 113m** (30 June 2018: R2 969m). This was slightly offset by a decrease in impairments (off a high base), down 25% to **R284m** (30 June 2018: R381m).

Income declined by 5% to **R5 312m** (30 June 2018: R5 580m), adversely impacted by difficult trading conditions; slightly offset by continued strong growth from the Corporate Bank.

- The Corporate Bank income increased by 10% to **R2 594m** (30 June 2018: R2 361m). This continued momentum is a consequence of success in the underlying transactional banking strategy, evidenced by solid growth in the client franchise coupled with the conversion of existing clients to primary bank status. The majority of underlying product houses within the franchise delivered growth, supported by strong growth in average customer loans, up 14% to **R72bn** coupled with an improved margin mix from Deposits.
- The Investment Bank's income declined by 16% to **R2 718m** (30 June 2018: R3 219m), adversely impacted by reduced volatility in equities and adverse risk management in Markets, coupled with low business confidence for a significant part of the period under review. This was partially offset by strong growth from the Commercial Property Finance business, which continues to grow with a good quality portfolio in line with strategy.

Operating costs increased by 5% to **R3 113m** (30 June 2018: R2 969m), mainly driven by incremental costs related to the separation from Barclays PLC, partially offset by the non-repeat of costs that were once off in nature from the prior year.

Customer loans increased by 24% to **R289bn** (30 June 2018: R233bn); most of this growth was seen in the second half of 2018, with growth from the first half of 2019 being largely muted. Customer deposits increased by 13% to **R208bn** (30 June 2018: R184bn), with corporate cheque deposits up 12% to **R91bn** (30 June 2018: R81bn).

CIB ARO

CIB ARO headline earnings increased by 3% to **R1 234m** (30 June 2018: R1 199m, down 4% in constant currency), as the region delivered strong income growth of 18% to **R3 539m** (30 June 2018: R2 988m, up 11% in constant currency). This was, however, partly offset by higher credit impairments up >100% to R118m off a low base in the prior year (30 June 2018: R11m, up >100% in constant currency) and operating expenses up 22% to **R1 409m** (30 June 2018: R1 151m, up 14% in constant currency).

Income growth was driven by the Corporate Bank up 16% to **R2 515m** (30 June 2018: R2 169m, up 8% in constant currency) which was supported by customer loans growth of 17% to **R53bn** (30 June 2018: R45bn, up 17% in constant currency) and customer deposits growth of 10% to **R63bn** (30 June 2018: R57bn, up 12% in constant currency). In addition, the Investment Bank delivered strong income growth of 25% to **R1 024m** (30 June 2018: R819m, up 17% in constant currency) driven by the Markets business. Credit impairments growth was off a low base, while operating expenses growth was driven by higher costs relating to the separation from Barclays PLC.

CIB

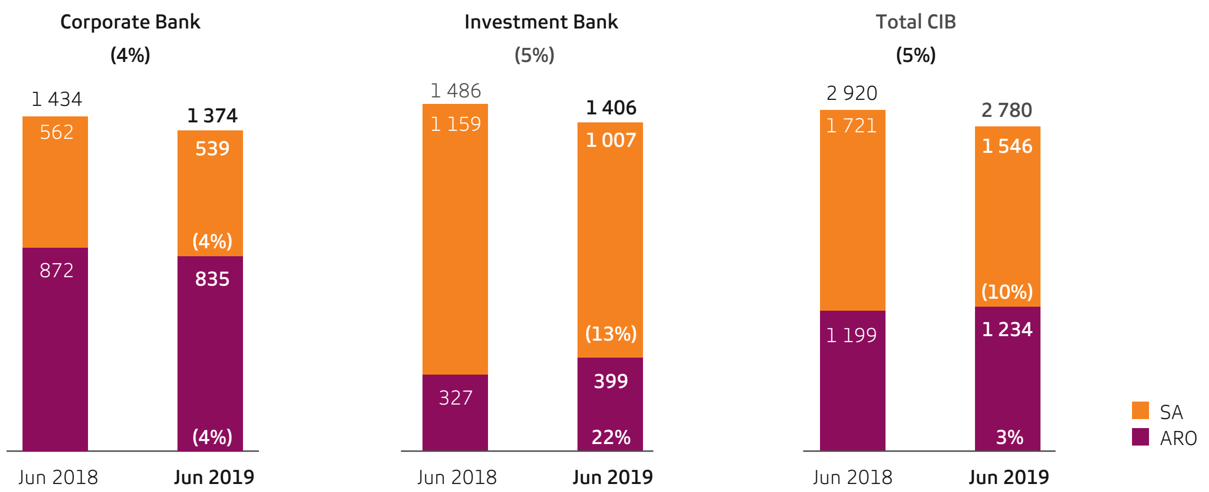
for the reporting period ended

Financial performance (continued)

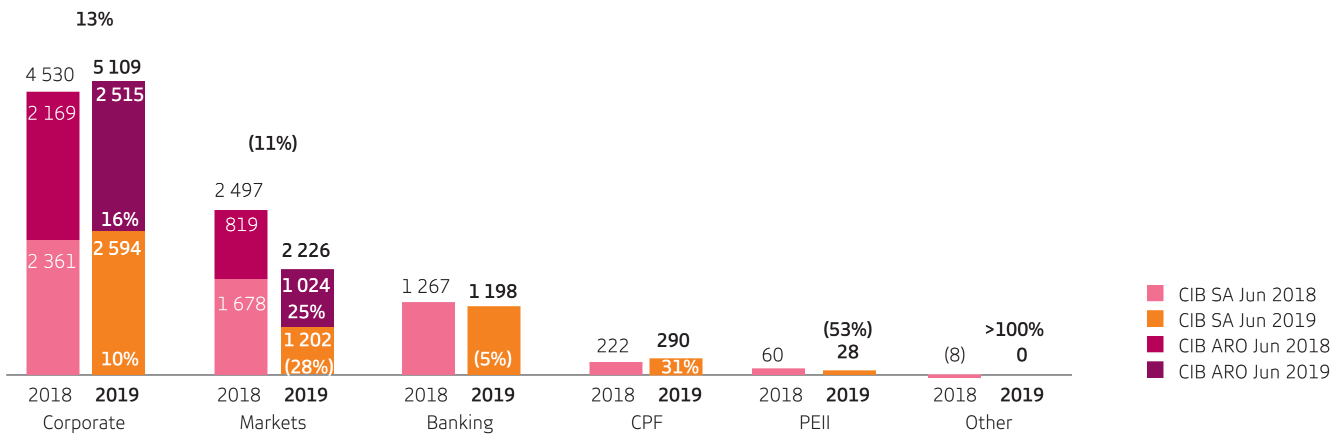
Total CIB

Total CIB headline earnings declined by 5% to **R2 780m** (30 June 2018: R2 920m, down 8% in constant currency). This was mainly driven by higher operating costs up 10% to **R4 522m** (30 June 2018: R4 120m, up 8% in constant currency), and marginally higher credit impairments up 3% to **R402m** (30 June 2018: R392m, up **3%** in constant currency); slightly offset by income which increased by 3% to **R8 851m** (30 June 2018: R8 568m, up 1% in constant currency).

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Business performance

The Corporate and Investment Bank's performance was impacted by adverse economic conditions both in South Africa and in several presence countries. During the first half of the year, the business was able to establish key elements of the growth strategy and was recognised as a leader in the financial services sector, while concluding several key client wins.

The international expansion is progressing well with progress made in the United States, and growth in the United Kingdom corridor, which leveraged the London office established in the prior year.

Progress has been made on the custody and trustee acquisition following a favourable recommendation by the competition commission. The partnership strategy is progressing well strengthened by the agreement with Société Générale, which has also served to support progress in the Asian corridor.

The separation programme is on track and numerous services are already being provided independently; this includes the development of a market-leading channel with a single entry point for clients into the bank.

CIB

for the reporting period ended

Business performance *(continued)*

Notable achievements during the period include:

- Growth in the overall client franchise with key client acquisitions across presence markets.
- Being recognised as the Investment Bank of the Year by the African Banker Awards.
- Deals concluded in new markets across the continent.

Furthermore, the following accolades were received in this period:

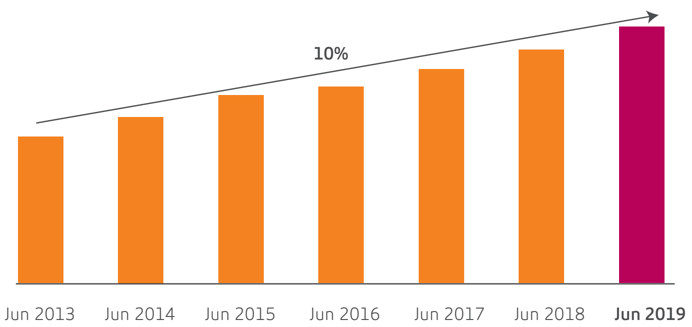
- Investment Bank of the Year, African Banker Awards.
- Top 5 Non-Research scores: Administration, Efficiency, Corporate Access, FI Securities Execution, and for the work of the Equities Sales team, Financial Mail.
- Top 5 Research placings: General Goods Retailers, Diversified Industrials, ESG Research, and African Macro, Financial Mail.
- 1st place: Research in Fixed Income Securities, Financial Mail.
- 2nd place: Innovative Research, Domestic Economic Trends, Credit Analysis, Technical Analysis, Small and Medium-Cap Equities, Financial Mail.
- 3rd place: Research Coverage of Household Goods Retailers, Insurance, Political Analysis categories of research, in the non-Research category of Execution in Derivatives.
- Best M&A Bank in Africa, Global Finance.
- Financial Institutions Deal of the Year 2019, Bonds, Loans and Sukuk Middle East.
- Project Finance Deal of the Year 2019, Bonds, Loans and Sukuk Middle East.
- Structured Deal of the Year 2019, Bonds, Loans and Sukuk Middle East.
- Expert Finance Deal of the Year 2019, Bonds, Loans and Sukuk Middle East.

Corporate SA

Corporate SA delivered double-digit income growth of 10% to **R2 594m** (30 June 2018: R2 361m), continuing on from the momentum seen over the last six years. Both net interest income and non-interest income contributed to this growth, up 9% and 12% respectively.

Net interest income growth was supported by average customer advances growth of 14% to **R72bn** (30 June 2018: R64bn); while non-interest income growth was largely driven by documentary trade products, coupled with structuring fees across the business.

Corporate SA income growth trend (CAGR)



Underlying product income performance was as follows:

- **Debt finance** increased by 34% largely driven by restructuring fees, while balance sheet remained largely unchanged at **R16.7bn** (30 June 2018: R16.5bn).
- **Trade finance** increased by 29% underpinned by strong growth in funded products, with balance sheet up 68% to **R30bn**. This was further supported by non-interest income growth due to an increase in documentary trade products.
- **Working capital** increased by 23%, benefiting from improved fees and margins, as well as an increase in balances (up 12% to **R32bn**).
- **Deposits** increased by 4%, benefiting from improved margins in cheque deposits as a result of changes in the underlying client mix towards higher yielding clients. Spot customer deposit balances increased by 12% to **R165.3bn** (30 June 2018: R147.0bn) while average customer deposit balances were unchanged at **R144.5bn** (30 June 2018: R144.3bn).

This was partly offset by:

- **Transactions** which declined by 3% driven by lower collections volumes, partly offset by strong growth in domestic payments, as a result of increased primary bank activity.

CIB
for the reporting period ended

Business performance *(continued)*

Corporate SA (continued)

Salient features	30 June 2019	30 June 2018[1]	Change %	31 December 2018[1]
Gross income (Rm)	**2 594**	2 361	10	4 990
Credit impairments (Rm)	**(266)**	(43)	>100	(231)
Net income (Rm)	**2 328**	2 318	0	4 759
Average loans and advances to customers (Rbn)	**72.4**	63.5	14	67.9
Average deposits due to customers (Rbn)	**144.5**	144.3	0	144.1

Total Corporate
The combined corporate franchise continued on its strong growth momentum, with both SA and ARO delivering double-digit income growth. Total Corporate Bank income increased by 13% to **R5 109m** (30 June 2018: R4 530m, up 9% in constant currency), with SA up 10% to **R2 594m** and ARO up 16% to **R2 515m** (up 8% in constant currency). Total headline earnings declined by 4% to **R1 374m** (30 June 2018: R1 434m, down 8% in constant currency), adversely impacted by higher impairments, up >100% to **R384m** (30 June 2018: R54m, up >100% in constant currency).

Investment Bank
In South Africa, the Investment Bank's income declined by 16% to **R2 718m** (30 June 2018: R3 219m), adversely impacted by a decline in the Markets and Banking businesses.

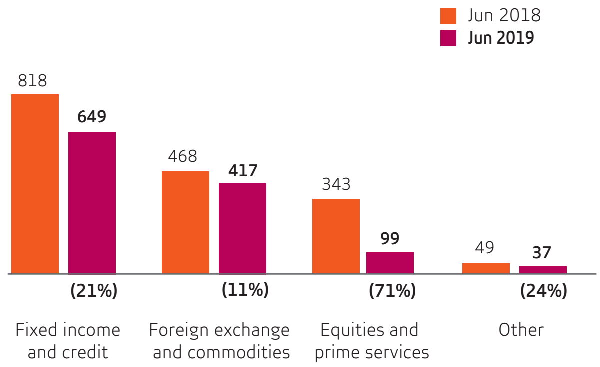
The performance by business unit is below:

Markets SA
Markets SA income declined by 28% to **R1 202m** (30 June 2018: R1 678m); however, when including Markets ARO, total Markets income declined by 11% to **R2 226m** (30 June 2018: R2 497m, down 12% in constant currency). The SA business performance was driven by:

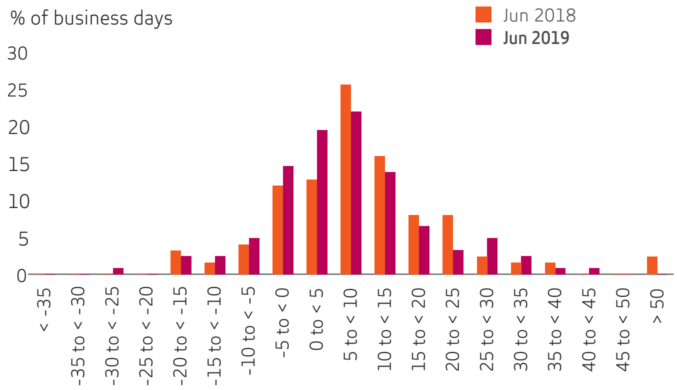
- **Fixed Income and Credit** decreased by 21% to **R649m** (30 June 2018: R818m) due to adverse risk management and market illiquidity, which was impacted by macroeconomic conditions and capital outflows in Pan Africa. In contrast, the Client franchise is growing due to increased offshore client on-boarding. The Structured Rates business has remained resilient despite difficult trading conditions.
- **Foreign Exchange and Commodities** decreased by 11% to **R417m** (30 June 2018: R468). This was despite successful implementation of the FX client strategy, which resulted in the client franchise growing and favourable penetration into the existing client base. Furthermore, the Options business has grown positively in this period. Difficult trading conditions limited further revenue opportunities compared to prior year.
- **Equities and Prime Services** decreased by 71% to **R99m** (30 June 2018: R343m) due to subdued activity as seen in the broader market. Furthermore, the equities derivatives business was negatively impacted by historically low volatility across equities.

The refresh and build-out of the electronic platforms continues, making good progress during the period.

Markets SA gross income split (Rm and change %)



Daily markets income distribution (Rm)



[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB

for the reporting period ended

Business performance *(continued)*

Investment Bank (continued)

Markets SA (continued)

Banking SA

Banking income declined by 5% to **R1 198m** (30 June 2018: R1 267m) driven predominantly by Global Finance, down 4% to **R1 149m** (30 June 2018: R1 199m).

The Global Finance portfolio was adversely impacted by subdued business confidence during the period under review, particularly in the SA Debt portfolio; with additional margin compression on the overall portfolio due to a combination of market dynamics and fewer higher yielding leverage finance assets being booked. This was partly offset by a favourable performance from the resource and project finance portfolio, coupled with growth in the preference share business (benefiting the overall Global Finance franchise, however, adversely impacting margins). Average advances increased by 18% to **R115.4bn** (30 June 2018: R97.7bn).

The **Advisory business** was adversely impacted by continued slowdown in corporate M&A activity coupled with limited Equity Capital Markets activity.

Salient features	30 June 2019	30 June 2018[1]	Change %	31 December 2018[1]
Gross income (Rm)	**1 198**	1 267	(5)	2 493
Credit impairment (Rm)	**—**	(382)	(100)	(805)
Net income (Rm)	**1 198**	885	35	1 688
Average loans and advances to customers (Rbn)	**115.4**	97.7	18	104.2

Commercial Property Finance SA (CPF)

The CPF business continued to deliver a strong growth, with gross income up 31% to **R290m** (30 June 2018: R222m). This business presents an opportunity for growth for CIB, while portfolio diversification and credit quality continue to be a priority.

Income growth was driven by net interest income growth of 32% (supported by average portfolio asset growth of 35%), while non-interest income increased by 11%.

Salient features	30 June 2019	30 June 2018[1]	Change %	31 December 2018[1]
Gross income (Rm)	**290**	222	31	475
Credit impairment (Rm)	**(16)**	30	<(100)	17
Net income (Rm)	**274**	252	9	492
Average portfolio assets (Rbn)	**41.1**	30.4	35	32.8

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB

for the reporting period ended

Business performance *(continued)*

Investment Bank (continued)

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported income of **R28m** (30 June 2018: R60m) as a result of lower revaluations in the portfolio when compared to the prior year. The portfolio size increased to **R1.9bn** (30 June 2018: R1.8bn).

	30 June			31 December
Salient features	**2019**	2018[1]	Change %	2018[1]
Revaluations (Rm)	**(1)**	35	<(100)	27
Realisations, dividends, interest and fees (Rm)	**43**	33	30	72
Funding (Rm)	**(14)**	(8)	75	(20)
Net income (Rm)	**28**	60	(53)	79
Total portfolio size (Rbn)	**1.9**	1.8	6	1.8

Total Investment Bank

Including ARO, the Investment Bank's headline earnings declined by 5% to **R1 406m** (30 June 2018: R1 486m, down 7% in constant currency). Total income declined by 7% to **R3 742m** (30 June 2018: R4 038m, down 8% in CCY) with the ARO business delivering a turnaround of 25% to **R1 024m** (30 June 2018: R819m, up 17% in constant currency) reflecting strong growth from the majority of presence markets. This was offset by a 16% decline in the SA business.

Looking ahead

CIB remains focused to deliver on the growth strategy. The business has a bold ambition to be the leading Pan African Corporate and Investment Bank and will focus its efforts on the following priorities:

- Expanding sector coverage activities across the continent, focusing on key growth sectors through thought leadership initiatives and strategic origination and participation in key transactions.
- Delivering strategic channels and continuing on the momentum to build a winning Transactional Bank, leading with modernised core electronic banking propositions and leveraging partners to deliver integrated propositions as a key differentiator to increase primacy.
- Continuing product expansion to deepen overall financing and structuring propositions on a Pan-African basis.
- Regional expansion into key non-presence markets and leveraging the recently concluded MOU with SocGen to expand the business' propositions to solution clients in Francophone markets.
- Leveraging the UK Office to build and strengthen relationships with global clients headquartered in the UK/Europe to ensure the business can defend and grow flows from the traditional corridors in order to expand into Asia and Middle East.

The focus on people remains a priority of the Group and CIB will concentrate on developing a diverse talent pool across the business and entrenching a culture that creates a thriving organisation.

2019 is a critical year for the Separation Programme, with several major projects scheduled for completion. The business has prioritised resources to ensure that it can leverage on the momentum from the first half of the year.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Absa Regional Operations

for the reporting period ended

Key performance highlights for the period include the following:

Pre-provision profits increased

by **21%** (CCY: 13%).

Headline earnings increased

by **8%** (CCY: 0%) and RoE declined to **18.5%** (30 June 2018: 19.5%).

Revenue growth

of **18%** (CCY: 10%) was supported by revenue growth in all businesses. The Investment Banking business grew revenue by **25%** (CCY: 17%), Corporate Banking grew revenue by **16%** (CCY: 8%) and RBB grew revenue by **15%** (CCY: 7%).

The positive impact on revenue

from momentum on the balance sheet was partially offset by margins decreasing to **7.35%** (30 June 2018: 7.63%).

Cost-to-income ratio improved

to **56.8%** (30 June 2018: 57.9%) as revenue growth exceeded cost growth, despite higher than inflationary cost growth because of incremental run costs post the separation from Barclays PLC.

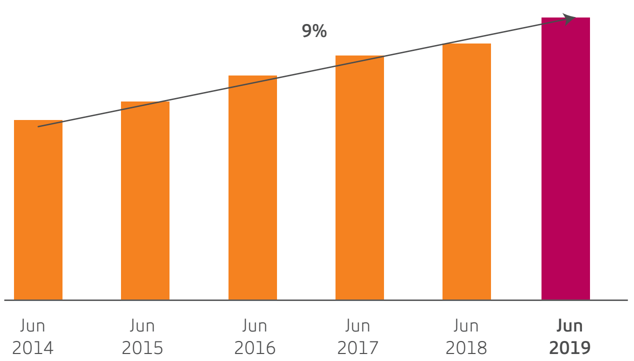
Impairments grew by 64%

(CCY: 52%) resulting in a higher credit loss ratio of **0.94%** (30 June 2018: 0.72%) driven by book growth, higher single-name defaults, some increased consumer and sovereign strain as well as the impact of natural disasters.

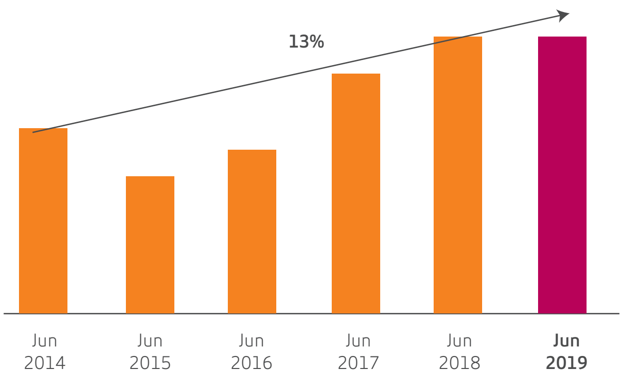
The prior year balance sheet momentum continued into the current year with loans and advances to customers growing by **17%** (CCY: 17%) and deposits due to customers growing by **10%** (CCY: 11%) driven by both RBB and Corporate.

	30 June				31 December
Salient features	**2019**	2018[1]	CCY%	Change %	2018[1]
Income (Rm)	**8 938**	7 558	10	18	16 307
Attributable earnings (Rm)	**1 741**	1 611	0	8	3 159
Headline earnings (Rm)	**1 727**	1 599	0	8	3 140
Credit loss ratio (%)	**0.94**	0.72			0.78
Cost-to-income ratio (%)	**56.8**	57.9			59.0
Return on equity[2]	**18.5**	19.5			18.1
RoRWA (%)	**1.64**	1.92			1.70
RoA (%)	**1.77**	2.06			1.83

ARO Income growth trend CCY (CAGR)



ARO Headline earnings growth trend CCY (CAGR)



[1] These numbers have been restated, refer to the report overview on the inside front cover.

[2] As the Absa Regional Operations consists primarily of a set of legal entities, the denominator in the RoRC for the Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

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6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials

71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment

80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

Absa Regional Operations

for the reporting period ended

	RBB					CIB				
	30 June				31 December	30 June				31 December
			Change					Change		
	2019	2018[1]	CCY%	%	2018[1]	2019	2018[1]	CCY%	%	2018[1]
Statement of comprehensive income (Rm)										
Net interest income	**3 722**	3 230	7	15	6 877	**2 150**	1 855	8	16	4 030
Non-interest income	**1 482**	1 289	8	15	2 749	**1 389**	1 133	15	23	2 361
Total income	**5 204**	4 519	7	15	9 626	**3 539**	2 988	11	18	6 391
Impairment losses	**(439)**	(318)	28	38	(820)	**(118)**	(11)	>100	>100	(32)
Operating expenses	**(3 666)**	(3 237)	5	13	(7 036)	**(1 409)**	(1 151)	14	22	(2 570)
Other expenses	**(110)**	(79)	32	39	(182)	**(17)**	(16)	(1)	6	(35)
Operating profit before income tax	**989**	885	4	12	1 588	**1 995**	1 810	3	10	3 754
Tax expenses	**(382)**	(337)	6	13	(597)	**(575)**	(475)	16	21	(1 127)
Profit for the reporting period	**607**	548	2	11	991	**1 420**	1 335	(2)	6	2 627
Profit attributable to:										
Ordinary equity holders	**431**	420	(4)	3	676	**1 233**	1 200	(4)	3	2 372
Non-controlling interest – ordinary shares	**176**	128	25	38	315	**187**	135	23	39	255
	607	548	2	11	991	**1 420**	1 335	(2)	6	2 627
Headline earnings	**417**	409	(4)	2	656	**1 234**	1 199	(4)	3	2 372
Operating performance (%)										
Net interest margin on average interest-bearing assets	**10.28**	10.45			10.14	**5.91**	6.63			6.45
Credit loss ratio	**1.74**	1.56			1.83	**0.44**	0.05			0.07
Non-interest income as % of income	**28.5**	28.5			28.6	**39.3**	37.9			36.9
Income growth	**15**	(0)			4	**18**	(5)			1
Operating expenses growth	**13**	0			4	**22**	6			14
Cost-to-income ratio	**70.4**	71.6			73.1	**39.8**	38.6			40.2
Statement of financial position (Rm)										
Loans and advances to customers	**49 264**	42 387	17	16	47 198	**52 764**	45 117	17	17	49 016
Loans and advances to banks	**3**	1	>100	>100	3	**3 300**	1 477	>100	>100	881
Investment securities	**4**	5	(8)	(20)	4	**724**	702	11	3	422
Other assets	**35 512**	37 550	(3)	(5)	34 001	**30 433**	23 859	34	28	29 509
Total assets	**84 783**	79 943	8	6	81 206	**87 221**	71 155	25	23	79 828
Deposits due to customers	**74 708**	68 422	11	9	72 443	**62 605**	56 776	12	10	58 520
Debt securities in issue	**73**	31	>100	>100	32	**—**	—	—	—	—
Other liabilities	**12 454**	13 329	(5)	(7)	10 211	**25 048**	15 123	74	66	20 656
Total liabilities	**87 235**	81 782	8	7	82 686	**87 653**	71 899	24	22	79 176
Financial performance (%)										
RoRWA	**1.19**	1.26			0.97	**3.61**	4.79			4.28
RoA	**1.05**	1.25			0.91	**2.89**	3.85			3.33

		30 June			31 December
				Change	
Key closing exchange rates in ZAR terms		2019	2018	%	2018
Botswana	ZAR/BWP	**1.33**	1.32	1	1.34
Ghana	ZAR/GHS	**2.59**	2.87	(10)	2.91
Kenya	ZAR/KES	**0.14**	0.14	2	0.14
Mauritius Onshore	ZAR/MUR	**0.40**	0.40	(0)	0.42
Mauritius Offshore	ZAR/USD	**14.13**	13.71	3	14.38
Mozambique	ZAR/MZN	**0.23**	0.23	(1)	0.23
Namibia	ZAR/NAD	**1.00**	1.00	0	1.00
Seychelles	ZAR/SCR	**1.03**	1.01	2	1.05
Tanzania	ZAR/TZS	**0.01**	0.01	2	0.01
Uganda	ZAR/UGX	**0.00**	0.00	0	0.00
Zambia	ZAR/ZMW	**1.10**	1.38	(20)	1.21

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Head Office, Treasury and other operations in Absa Regional Operations					Total Absa Regional Operations				
30 June				31 December	30 June				31 December
2019	2018[1]	CCY%	Change %	2018[1]	2019	2018[1]	CCY%	Change %	2018[1]
171	47	>100	>100	246	6 043	5 132	9	18	11 153
24	4	>100	>100	44	2 895	2 426	12	19	5 154
195	51	>100	>100	290	8 938	7 558	10	18	16 307
9	(6)	<(100)	<(100)	58	(548)	(335)	52	64	(794)
1	10	<(100)	(90)	(19)	(5 074)	(4 378)	8	16	(9 625)
(3)	—	>100	100	17	(130)	(95)	28	37	(200)
202	55	>100	>100	346	3 186	2 750	8	16	5 688
(128)	(79)	66	62	(260)	(1 085)	(891)	16	22	(1 984)
74	(24)	<(100)	<(100)	86	2 101	1 859	4	13	3 704
77	(9)	<(100)	<(100)	111	1 741	1 611	0	8	3 159
(3)	(15)	(83)	(80)	(25)	360	248	30	45	545
74	(24)	<(100)	<(100)	86	2 101	1 859	4	13	3 704
76	(9)	<(100)	<(100)	112	1 727	1 599	0	8	3 140
n/a	n/a			n/a	7.35	7.63			7.62
n/a	n/a			n/a	0.94	0.72			0.78
n/a	n/a			n/a	32.4	32.1			31.6
n/a	n/a			n/a	18	(2)			5
n/a	n/a			n/a	16	2			7
n/a	n/a			n/a	56.8	57.9			59.0
—	—	—	—	—	102 028	87 504	17	17	96 214
11 302	11 590	1	(2)	10 394	14 605	13 068	16	12	11 278
36 147	33 614	10	8	35 617	36 875	34 321	10	7	36 043
(15 947)	(17 473)	(8)	(9)	(15 128)	49 998	43 936	18	14	48 382
31 502	27 731	17	14	30 883	203 506	178 829	16	14	191 917
2 588	2 261	13	14	2 693	139 901	127 459	11	10	133 656
2 225	829	>100	>100	1 331	2 298	860	>100	>100	1 363
1 438	(113)	>100	<(100)	3 220	38 940	28 339	44	37	34 087
6 251	2 977	>100	>100	7 244	181 139	156 658	18	16	169 106
n/a	n/a			n/a	1.64	1.92			1.70
n/a	n/a			n/a	1.77	2.06			1.83

Absa Regional Operations

for the reporting period ended

Business profile

ARO operates in 10 jurisdictions across the African continent outside of South Africa through 10 legal entities and one representative office. ARO offers a comprehensive suite of banking products and services in our main market segments being Retail and Business Bank, Corporate and Investment Banking.

Key segments

- Retail and Business Bank (RBB)
- Corporate and Investment Bank (CIB)
  - Corporate
  - Investment Bank
- Head Office, Treasury and other operations

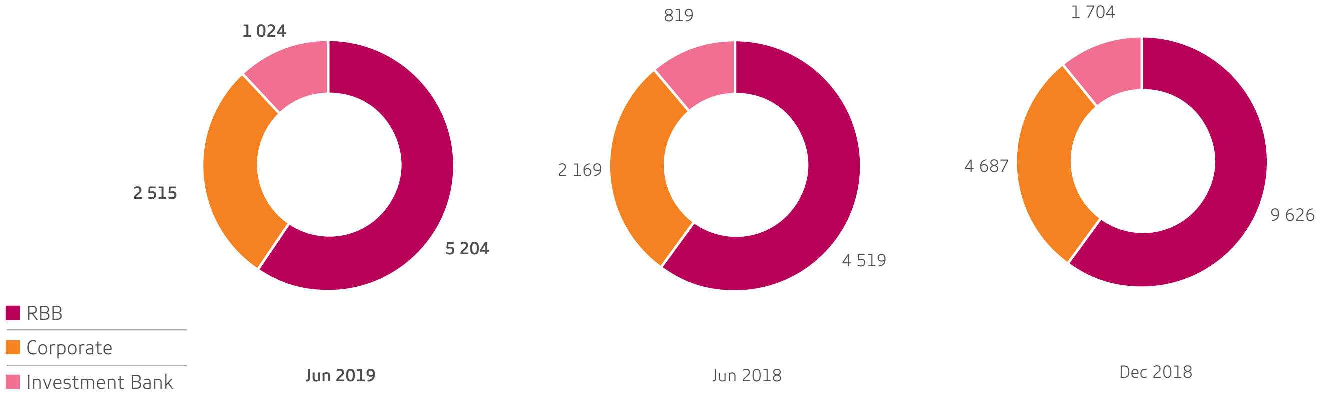
Customers and clients across the continent are served through the following key business areas:

- Barclays Bank of Kenya
- Barclays Bank of Botswana
- Barclays Bank of Ghana
- Barclays Bank of Zambia
- National Bank of Commerce (Tanzania)
- Barclays Bank Mozambique
- Barclays Bank Uganda
- Barclays Bank Mauritius
- Barclays Bank of Tanzania
- Barclays Bank Seychelles
- Nigeria – Representative office

Financial performance

ARO delivered headline earnings growth of **8%** (CCY: 0%) to **R1 727m** (30 June 2018: R1 599m) and Return on Equity of **18.5%** (30 June 2018: 19.5%). This was underpinned by strong revenue growth in all segments, led by the Investment Banking business with revenue growth of **25%** (CCY: 17%) and strong balance sheet growth in the other businesses, in spite of lower average interest rates, increased competition and natural disasters. Earnings growth was negatively impacted by impairment growth of **64%** (CCY: 52%) driven by book growth, higher single-name defaults, some increased consumer and sovereign strain, as well as the impact of natural disasters. In addition, tax expenses increased by **22%** (CCY: 16%) driven by higher dividend withholding tax, tax on foreign services and non-deductible expenses, coupled with an increase in minorities, diluting growth in profit before tax. This resulted in headline earnings growth in the Investment Banking business of **22%** (CCY: 13%), the RBB business of **2%** (CCY: decline of 4%) and a decline in headline earnings in the Corporate Banking business of **4%** (CCY: 11%). The rand weakened compared to the prior year against the basket of currencies in which we operate which had a positive impact on translated earnings.

Income contribution by segment excluding Head Office, Treasury and other operations (Rbn)



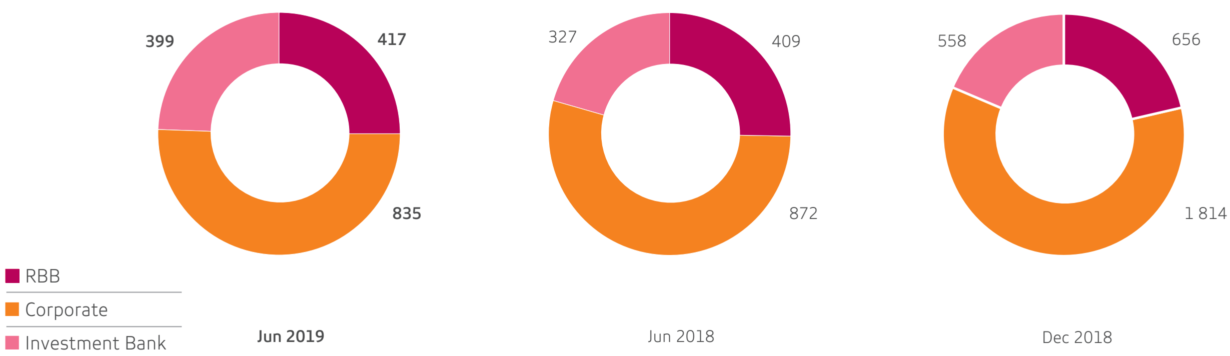
133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Absa Regional Operations

for the reporting period ended

Financial performance *(continued)*

Headline earnings contribution by segment excluding Head Office, Treasury and other operations (Rbn)



Net interest income increased by **18%** (CCY: 9%) to **R6 043m** (30 June 2018: R5 132m) with RBB's net interest income increasing by **15%** (CCY: 7%) to **R3 722m** (30 June 2018: R3 230m) and CIB's net interest income increasing by **16%** (CCY: 8%) to **R2 150m** (30 June 2018: R1 855m), despite decreasing interest rates and lower margins. RBB's net interest income growth was driven by **16%** (CCY: 17%) growth in loans and advances to customers driven by new product launches through digital innovation and strong unsecured lending growth.

Non-interest income grew by **19%** (CCY: 12%) to **R2 895m** (30 June 2018: R2 426m). RBB's non-interest income increased by **15%** (CCY: 8%) to **R1 482m** (30 June 2018: R1 289m) driven by an increase in card transaction volumes and bancassurance sales increasing by 16%, coupled with continued expansion of our virtual lending proposition. CIB's non-interest income increased by **23%** (CCY: 15%) to **R1 389m** (30 June 2018: R1 133m). The growth in CIB's non-interest income was driven by strong growth in risk management products and trading revenues in key markets resulting in a **24%** (CCY: 16%) growth in Investment Banking non-interest income and a strong focus on transactional accounts and customer growth in Corporate resulting in a **19%** (CCY: 11%) growth in Corporate non-interest income.

Impairments grew by **64%** (CCY: 52%) resulting in a higher credit loss ratio of **0.94%** (30 June 2018: 0.72%) driven by book growth, higher single-name defaults, some increased consumer and sovereign strain, as well as the impact of natural disasters.

Operating expenses increased by **16%** (CCY: 8%) to **R5 074m** (30 June 2018: R4 378m) and is characterised by incremental run costs post the separation from Barclays PLC, partly offset by continued transformation of our business through the optimisation of our branch network and investment in technology. As we continue our journey of separating from Barclays PLC, we continue to drive process optimisation, automation and cost efficiencies to make headroom for further future investment in growth initiatives. This coupled with revenue growth in excess of cost growth delivered positive Jaws and a declining cost-to-income ratio of **56.8%** (30 June 2018: 57.9%).

Loans and advances to customers grew by **17%** (CCY: 17%) to **R102.0bn** (30 June 2018: R87.5bn). RBB's loans and advances grew by **16%** (CCY: 17%) to **R49.3bn** (30 June 2018: R42.4bn). Commercial loans reflected robust growth of **27%** (CCY: 28%) to **R13.5bn** (30 June 2018: R10.6bn), excluding the impact of foreign currency translation effects, driven by strong growth in the agricultural sector. CIB's loans and advances to customers increased by **17%** (CCY: 17%) to **R52.8bn** (30 June 2018: R45.1bn) as a result of increased focus on origination and improved appetite in our target sectors, including global corporates, public sector and telecommunications.

Deposits due to customers grew by **10%** (CCY: 11%) to **R139.9bn** (30 June 2018: R127.5bn). RBB's deposits due to customers increased by **9%** (CCY: 11%) to **R74.7bn** (30 June 2018: R68.4bn). CIB's deposits due to customers increased by **10%** (CCY: 12%) to **R62.6bn** (30 June 2018: R56.8bn) due to improved product offerings and platforms, and an increased focus on relationships with key clients in telecommunications, non-banking financial institutions, fast-moving consumer goods and the public sector.

RBB Absa Regional Operations

for the reporting period ended

Key performance highlights for the period include the following:

Pre-provision profits increased

by **20%** (CCY: 11%).

Loans and advances to customers grew

16% (CCY: 17%), mainly due to an increase in production.

Deposits due to customers increased

9% (CCY: 11%), mainly driven by current account deposit growth.

Income grew faster than operating expenses,

resulting in positive Jaws of **2%** and an improved cost-to-income ratio of **70.4%** (30 June 2018: 71.6%).

Net interest income increased

15% (CCY: 7%), mainly driven by the growth in deposits and advances.

Non-interest income grew

15% (CCY: 8%), mainly driven by card and merchant transactions, as well as a good performance in bancassurance sales.

Barclays Bank Mozambique was awarded best Retail bank

in Mozambique for 2019 by the Global Banking and Finance Awards.

Headline earnings

grew by **2%** (CCY: decline of 4%), despite headwinds faced, including increased competition for liquidity, increased impairment levels and a decline in interest rates.

Credit loss ratio increased

to **1.74%** (30 June 2018: 1.56%).

The cost-to-income ratio remained high

at **70.4%** (30 June 2018: 71.6%).

	30 June				31 December
Salient features	**2019**	2018[1]	CCY%	Change %	2018[1]
Income (Rm)	**5 204**	4 519	7	15	9 626
Attributable earnings (Rm)	**431**	420	(4)	3	676
Headline earnings (Rm)	**417**	409	(4)	2	656
Credit loss ratio (%)	**1.74**	1.56			1.83
Cost-to-income ratio (%)	**70.4**	71.6			73.1
RoRWA (%)	**1.19**	1.26			0.97
RoA (%)	**1.05**	1.25			0.91

[1] These numbers have been restated, refer to the report overview on the inside front cover.

133 | IFRS salient features
134 | Financials
145 | Notes to the financials
150 | Segment performance
152 | Barclays separation
156 | Risk management overview
168 | Capital management and RWA
176 | Share performance
177 | Shareholder information and diary
178 | Glossary
185 | Abbreviations and acronyms
187 | Contact information

RBB Absa Regional Operations

for the reporting period ended

Business profile

RBB offers a comprehensive suite of retail and business bank products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions.

Key product/segment areas

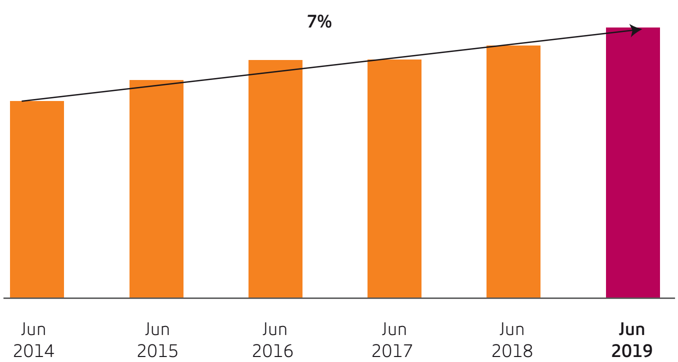
- **Premier banking:** Represents the affluent retail segment in each market. They are offered exclusive banking with tailor-made solutions through dedicated relationship managers and Premier suites.
- **Prestige banking:** Represents the emerging affluent retail segment in each market. They are serviced through dedicated banking teams, affordable products and solutions.
- **Personal banking:** Represents the middle-market segment. They are serviced via direct channels including the branch network.
- **Small and Medium Enterprise (SME) banking:** Represents business clients with an annual turnover of up to R50m. They are serviced using a direct coverage model with a predominantly branch-based interface.
- **Commercial banking:** Represents business clients with an annual turnover of between R50m and R250m. They are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. Commercial and SME banking includes sector overlays focusing on the primary sectors of agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.

Financial performance

RBB delivered increased income and profits in spite of a challenging operating environment that included declining interest rates, much greater competition from traditional banks and payment Fintechs.

Income grew by **15%** (CCY: 7%) to **R5 204m** (30 June 2018: R4 519m), impairments increased by **38%** (CCY: 28%) to **R439m** (30 June 2018: R318m) while operating expenses increased by **13%** (CCY: 5%) to **R3 666m** (30 June 2018: R3 237m) resulting in positive Jaws of **2%**.

RBB Income growth trend CCY (CAGR)



Underlying revenue growth of 7% on a constant currency basis was achieved mainly on the back of:

- Increased focus on customers through the Customer Lifecycle Management framework, which helped increase our customer product penetration rate to **1.69** (30 June 2018:1.65);
- Offering holistic banking through an improved suite of product and services focused on specific sectors and customer types;
- Continued success in the commercial banking segment through focused relationship building; and
- Customer-centric design to continuously improve customer experience.

RBB Absa Regional Operations

for the reporting period ended

Financial performance *(continued)*

Net interest income increased by **15%** (CCY: 7%) to **R3 722m** (30 June 2018: R3 230m) despite:

- A reduction in Consumer deposit margins driven by falling interest rates, as well as increased competitor pricing to attract liquidity;
- A reduction in Consumer lending margins largely driven by aggressive competitor pricing most notably in Botswana, Ghana, Mauritius and Tanzania; and
- A more prescriptive approach to our scheme lending in specific sectors in order to minimise the impact on impairments. To counter this and take advantage of falling interest rates in some markets, we have implemented measures to target specific lending opportunities that has resulted in sales growth of 29%.

Non-interest income grew by **15%** (CCY: 8%) to **R1 482m** (30 June 2018: R1 289m).

Key Non-interest income highlights include the following:

- Good performance in the Card and Payments business.
  - The increased focus to drive customer awareness and education on debit card usage has contributed to an increase of 15% on point-of-sale spend.
  - The card acquiring business showed an increase in fee income of 4%, despite margin pressures, driven by 10% growth in turnover.
  - The card issuing business showed a 13% growth in fee income driven by a 4% growth in the volume of cards, as well as a 9% growth in total card spend. Card campaigns directed at specific customers has resulted in a 9% growth in credit card sales.
- Good performance achieved in bancassurance where we have seen revenue growth of 16%. Increased focus on customer penetration has resulted in a 22% growth insurance sales.
- Business Bank trade income and foreign exchange sales and trading have seen growth of 19% and 16% respectively.
- Regulatory moratoriums on certain fees, as well as the customer migration to lower fee channels, has resulted in muted transactional fee income growth of 6%. This has helped to improve our customer service levels including waiting times in our branches but has dampened fee income growth.

Impairments increased by **38%** (CCY: 28%) from R318m to **R439m** resulting in a credit loss ratio of **1.74%** (30 June 2018: 1.56%). The increase in impairments, experienced mostly in consumer lending, is due to strong production performance. As expected, the improving trend experienced in prior years has flattened out. However, we continue to focus on improving our credit and collection strategies and technologies and continue to invest in improving the level of resourcing and skills.

Operating costs increased by **13%** (CCY: 5%) to **R3 666m** (30 June 2018: R3 237m) predominantly due to the strengthening of emerging market currencies against the South African rand. On a constant currency basis, however, through branch optimisation, enhanced digital capability and effective cost management, operating expenses have shown sub-inflationary growth of **5%**. Sub-inflation cost growth has resulted in an improvement in our cost-to-income ratio to **70.4%** from 71.6% (30 June 2018).

Loans and advances to customers grew by **16%** (CCY: 17%) to **R49.3bn** (30 June 2018: R42.4bn).

Key asset balance sheet highlights include the following:

- Through a combination of better customer engagement and selective lending, net consumer loans and mortgages grew by 17%;
- Total volume of loan bookings in Retail Bank remained flat compared to the prior year with loan value growing by 29%;
- Growth in our mobile lending offering in both Kenya (Timiza) and Zambia (Kongola);
- Growth of 14% in Card issuing balances; and
- Business Bank lending exhibited growth of 28% as a result of greater focus on specific sectors and clients.

Deposits due to customers grew by **9%** (CCY: 11%) to **R74.7bn** (30 June 2018: R68.4bn) despite aggressive competitor pricing. To reduce our cost of funding, specific measures, such as enhancing our transactional offering, were taken to grow our active client base.

Business performance

RBB's strategic goals remain intact, with consistent performance reflective of a business that is well positioned to achieve its long-term targets.

Growth is supported by:

- The Virtual Banking proposition (Timiza) in Kenya providing customers with mobile lending, savings and insurance products, which has seen a 98% growth in loan disbursements, through a 43% growth in new-to-bank borrowing customers, driving a revenue growth of 268%. This year alone we have disbursed over 764 thousand loans to 173 thousand active customers;
- The mobile lending proposition (Kongola) in Zambia, which resulted in 874 thousand loan disbursements to 190 thousand active customers. We have extended the product offering to include longer term lending, as well as a savings solution (Kasaka Savings); and
- Launch of purchase order finance, Business Internet Banking, improvement of enterprise development capabilities and expanding our structured trade and commodity finance in a number of our businesses in support of our customers.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

RBB Absa Regional Operations

for the reporting period ended

Business performance *(continued)*

Efficiency was supported by:

- Continued growth in digital adoption by customers across a number of channels including iATM (withdrawal and deposits), Mobile Banking, POS and internet banking. Transactional volumes from mobile and internet banking grew by 94%;
- The launch of Sky Banking in Ghana for Premier customers, which offers our Premier customers more personalised services via sky banking agents;
- Agency banking in Kenya, Tanzania and Uganda which has helped optimise cost to serve and increased our points of presence to facilitate greater ease for customers to transact with us; and
- Continued optimisation of the branch network to serve customers more economically and efficiently.

Looking ahead, we continue to see potential to extract greater value from our existing franchise. Our focus remains on embedding customer-centricity, delivering customer value propositions that serve business needs throughout the business lifecycle and personal needs throughout their life stages, as well as enhancing the customer's multiple-channel experience with a focus on becoming a digitally-led bank. The strategy focuses on:

- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisition and deepen the relationship with existing customers through enhanced digital solutions with a focus on mobile and internet banking solutions;
- Optimised branch operating model to build fit-for-purpose branches, ensuring that we are optimally positioned to serve our customers and reduce service costs;
- Continuing to embed and enhance the sector focus approach in Commercial and Small and Medium Enterprise Banking;
- Driving the retail segment with refreshed customer value propositions with particular focus on affluent customers;
- Extracting further opportunities from the Corporate customer ecosystems;
- Commercialising a new digital platform aiding the trade between suppliers and buyers within the Agriculture industry;
- Driving the launch of a value-adding tool for our SME clients that will help support small business owners in the formulation of business plans and financial statements; and
- Commercialising new business opportunities such as mobile lending and payments.

CIB Absa Regional Operations

for the reporting period ended

Key performance highlights for the reporting period include:

The Investment Bank business delivered revenue growth

of **25%** (CCY: 17%).

The Corporate business delivered revenue growth

of **16%** (CCY: 8%).

Corporate non-interest income was up

by **19%** (CCY: 11%) while net interest income was up by **15%** (CCY: 8%).

Strong balance sheet growth

with loans and advances to customers up by **17%** (CCY: 17%) while customer deposits increased by **10%** (CCY: 12%).

Achievements included the following:

- Awarded Investment Bank of the Year at the African Banker Awards 2019;
- Awarded Export Finance Deal of the Year as one of the joint lead managers to fund the Nacala Corridor Railway Line in Mozambique at the Bonds, Loans and Sukuk Middle East Awards 2019; and
- Barclays Bank of Kenya became the No. 1 FX house in Kenya.

Impairments increased

by **over 100%** to R118m off a low base in the prior year (30 June 2018: R11m) resulting in an increase in the credit loss ratio to **0.44%** (30 June 2018: 0.05%).

Operating expense growth

of **22%** (CCY: 14%) mainly due to the incremental run cost post the separation from Barclays PLC, resulting in an increase in the cost-to-income ratio to **39.8%** (30 June 2018: 38.6%).

Lower returns

with decreases in RoA and RoRWA to **2.89%** (30 June 2018: 3.85%) and **3.61%** (30 June 2018: 4.79%) respectively.

	30 June				31 December
Salient features	**2019**	2018[1]	CCY%	Change %	2018[1]
Income (Rm)	**3 539**	2 988	11	18	6 391
Attributable earnings (Rm)	**1 233**	1 200	(4)	3	2 372
Headline earnings (Rm)	**1 234**	1 199	(4)	3	2 372
Credit loss ratio (%)	**0.44**	0.05			0.07
Cost-to-income ratio (%)	**39.8**	38.6			40.2
RoRWA (%)	**3.61**	4.79			4.28
RoA (%)	**2.89**	3.85			3.33

[1] These numbers have been restated, refer to the report overview on the inside front cover.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

CIB Absa Regional Operations

for the reporting period ended

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients bring their possibilities to life and by executing on this we will create shared growth for clients, colleagues and communities.

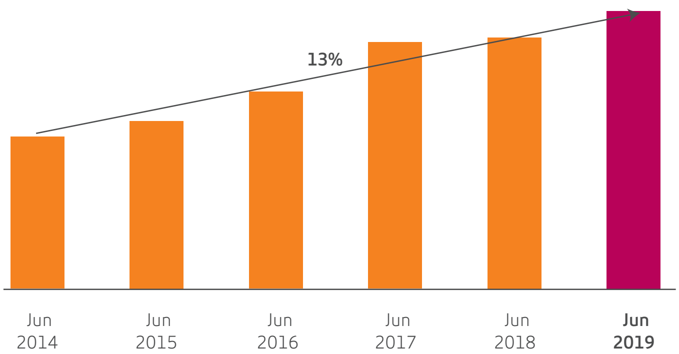
Key business areas

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

- Corporate – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base.
- Investment Bank comprising:
  - Markets – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients; and
  - Banking – structures innovative solutions to meet clients' strategic financing and risk management requirements across industry sectors.

Financial performance

CIB Income growth trend CCY (CAGR)



Corporate

Headline earnings decreased by **4%** (CCY: 11%) to **R835m** (30 June 2018: R872m) on the back of higher impairments and costs.

Revenue was up **16%** (CCY: 8%) to **R2 515m** (30 June 2018: R2 169m), with net interest income up **15%** (CCY: up 8%) to **R2 149m** (30 June 2018: R1 862m) supported by a successful conversion of client relationships to primary banked and a strong balance sheet performance. However, several markets experienced margin compression that negatively impacted product margins.

	30 June				31 December
Salient features	**2019**	2018[1]	CCY%	Change %	2018[1]
Income (Rm)	**2 515**	2 169	8	16	4 687
Attributable earnings (Rm)	**834**	873	(11)	(4)	1 814
Headline earnings (Rm)	**835**	872	(11)	(4)	1 814
Credit loss ratio (%)	**0.46**	0.05			0.07
Cost-to-income ratio (%)	**42.8**	39.8			40. 6
RoRWA (%)	**3.10**	4.35			4.12
RoA (%)	**2.37**	3.20			2.99

[1] These numbers have been restated, refer to the report overview on the inside front cover.

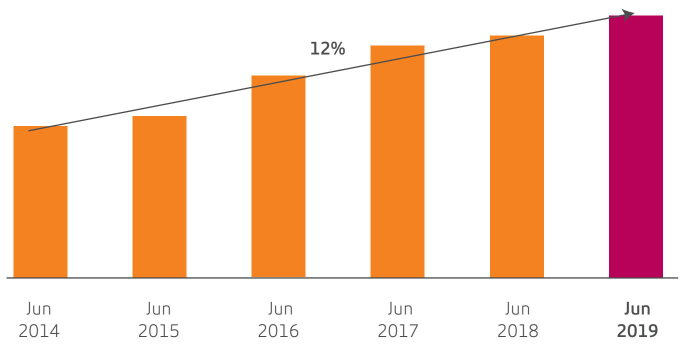
CIB Absa Regional Operations

for the reporting period ended

Financial performance *(continued)*

Corporate *(continued)*

Corporate income growth trend CCY (CAGR)



Our focus on transactional accounts and customer growth contributed to growth of **19%** (CCY: 11%) in non-interest income to **R366m** (30 June 2018: R307m).

Impairments on loans and advances were up **over 100%** to **R118m** (30 June 2018: R11m) as a result of a few single-name charges and growth in the asset portfolio, off a very low impairment base in the prior year.

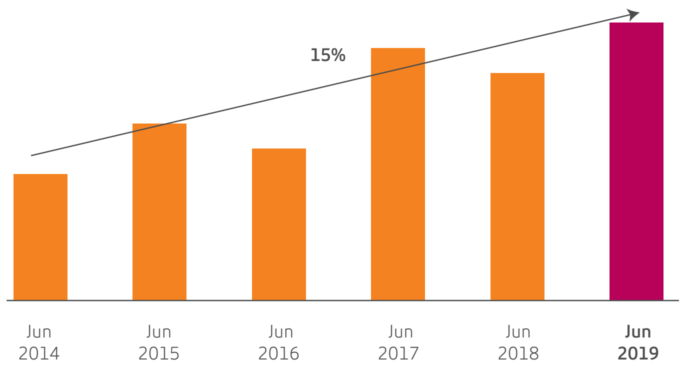
Operating expenses increased by **25%** (CCY: 16%) to **R1 075** (30 June 2018: R862m) reflecting increased incremental run costs post the separation from Barclays PLC, resulting in negative Jaws of **9%** and an increase in the cost-to-income ratio to **42.8%** (30 June 2018: 39.8%).

Loans and advances to customers increased by **17%** (CCY: 17%) to **R52.8bn** (30 June 2018: R45.1bn) as a result of increased risk appetite, as well as increased focus on targeted sectors, including natural resources, agriculture, public sector, construction and telecommunications.

Deposits due to customers increased by **10%** (CCY: 12%) to **R62.6bn** (30 June 2018: R56.8bn), due to improved product offerings and platforms, and increased focus on relationships with key clients in telecommunications, non-banking financial institutions, fast-moving consumer goods and the public sector.

Investment Bank

Investment Bank income growth trend CCY (CAGR)



CIB Absa Regional Operations

for the reporting period ended

Financial performance *(continued)*

Investment Bank *(continued)*

Headline earnings increased by **22%** (CCY: 13%) to **R399m** (30 June 2018: R327m) with revenue up **25%** (CCY: up 17%) to **R1 024m** (30 June 2018: R819m) and operating expenses up by **16%** (CCY: 9%) to **R334m** (30 June 2018: R289m).

This strong revenue growth resulted from increased focus on building our client franchise by means of improved client-solutioning, rollout of more advanced infrastructure, continued build-out of a high-performing team and better collaboration with other business areas.

The **16%** (CCY: 9%) increase in operating expenses was largely due to incremental run costs post the separation from Barclays PLC. Despite this, positive Jaws of **9%** and a decrease in the cost-to-income ratio to **32.6%** (30 June 2018: 35.2%) was achieved as a result of strong revenue growth.

	30 June				31 December
Salient features	**2019**	2018[1]	CCY%	Change %	2018[1]
Income (Rm)	**1 024**	819	17	25	1 704
Attributable earnings (Rm)	**399**	327	13	22	558
Headline earnings (Rm)	**399**	327	13	22	558
Credit loss ratio (%)	**n/a**	n/a			n/a
Cost-to-income ratio (%)	**32.6**	35.2			39.2
RoRWA (%)	**5.51**	6.54			4.87
RoA (%)	**5.26**	8.54			5.23

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB Absa Regional Operations

for the reporting period ended

	Corporate				
	30 June				31 December
	2019	2018	CCY%	Change %	2018
Statement of comprehensive income (Rm)					
Net interest income	**2 149**	1 862	8	15	4 041
Non-interest income	**366**	307	11	19	646
Total income	**2 515**	2 169	8	16	4 687
Impairment losses	**(118)**	(11)	>100	>100	(32)
Operating expenses	**(1 075)**	(862)	16	25	(1 902)
Other expenses	**(13)**	(13)	(4)	—	(27)
Operating profit before income tax	**1 309**	1 283	(5)	2	2 726
Tax expenses	**(355)**	(321)	6	11	(755)
Profit for the reporting period	**954**	962	(8)	(1)	1 971
Profit attributable to:					
Ordinary equity holders	**834**	873	(11)	(4)	1 814
Non-controlling interest – ordinary shares	**120**	89	20	35	157
	954	962	(8)	(1)	1 971
Headline earnings	**835**	872	(11)	(4)	1 814
Operating performance (%)					
Net interest margin on average interest-bearing assets	**6.10**	6.82			6.63
Credit loss ratio	**0.46**	0.05			0.07
Non-interest income as % of income	**14.5**	14.1			13.8
Income growth	**16**	(2)			3
Operating expenses growth	**25**	5			11
Cost-to-income ratio	**42.8**	39.8			40.6
Statement of financial position (Rm)					
Loans and advances to customers	**52 764**	45 117	17	17	49 016
Loans and advances to banks	**—**	(1)	(6)	(100)	28
Investment securities	**645**	569	24	13	346
Other assets	**16 671**	15 626	11	7	17 289
Total assets	**70 080**	61 311	16	14	66 679
Deposits due to customers	**62 605**	56 773	12	10	58 520
Other liabilities	**7 641**	5 053	54	51	7 605
Total liabilities	**70 246**	61 826	15	14	66 125
Financial performance (%)					
RoRWA	**3.10**	4.35			4.12
RoA	**2.37**	3.20			2.99

Investment Bank					CIB Rest of Africa				
30 June				31 December	30 June				31 December
2019	2018	CCY%	Change %	2018[1]	**2019**	2018	CCY%	Change %	2018[1]
1	(7)	<(100)	<(100)	(11)	**2 150**	1 855	8	16	4 030
1 023	826	16	24	1 715	**1 389**	1 133	15	23	2 361
1 024	819	17	25	1 704	**3 539**	2 988	11	18	6 391
—	—	—	—	—	**(118)**	(11)	>100	>100	(32)
(334)	(289)	9	16	(668)	**(1 409)**	(1 151)	14	22	(2 570)
(4)	(3)	10	33	(8)	**(17)**	(16)	(1)	6	(35)
686	527	22	30	1 028	**1 995**	1 810	3	10	3 754
(220)	(154)	37	43	(372)	**(575)**	(475)	16	21	(1 127)
466	373	15	25	656	**1 420**	1 335	(2)	6	2 627
399	327	13	22	558	**1 233**	1 200	(4)	3	2 372
67	46	29	46	98	**187**	135	23	39	255
466	373	15	25	656	**1 420**	1 335	(2)	6	2 627
399	327	13	22	558	**1 234**	1 199	(4)	3	2 372
n/a	n/a			n/a	**5.91**	6.63			6.45
n/a	n/a			n/a	**0.44**	0.05			0.07
99.9	100.8			100.6	**39.3**	37.9			36.9
25	(14)			(2)	**18**	(5)			1
16	7			20	**22**	6			14
32.6	35.2			39.2	**39.8**	38.6			40.2
—	—	—	—	—	**52 764**	45 117	17	17	49 016
3 300	1 478	>100	>100	853	**3 300**	1 477	>100	>100	881
79	133	(43)	(41)	76	**724**	702	11	3	422
13 762	8 233	80	67	12 220	**30 433**	23 859	34	28	29 509
17 141	9 844	85	74	13 149	**87 221**	71 155	25	23	79 828
—	3	—	(100)	—	**62 605**	56 776	12	10	58 520
17 407	10 070	84	73	13 051	**25 048**	15 123	74	66	20 656
17 407	10 073	84	73	13 051	**87 653**	71 899	24	22	79 176
5.51	6.54			4.87	**3.61**	4.79			4.28
5.26	8.54			5.23	**2.89**	3.85			3.33

CIB Absa Regional Operations

for the reporting period ended

Business performance

Corporate

The underlying business performed well over the period, with revenue up 8% excluding the impact of foreign currency translation differences. Double-digit growth in revenue from the lending and trade businesses was offset by muted growth in liability income. Although deposit growth was strong, most of our markets were impacted by margin compression.

Contributors to growth included the following:

- Growth of transactional banking volumes and the lending book through deliberate targeting of specific growth sectors, such as agriculture, natural resources, public sector, construction, telecommunications, non-banking financial institutions and fast-moving consumer goods;
- Increased credit appetite, as reflected by the increase in sovereign lending and activities in non-presence countries;
- Identifying and executing key hires in businesses at the core of our growth strategy;
- Critical focus on delivery of separation objectives and the launch of new strategic platforms such as online, mobile and API; and
- Strengthening our relationships with financial institutions, as demonstrated by our strategic partnership with Société Générale.

Factors that adversely affected the business during the period:

- Political uncertainty, poorly performing economies and infrastructure challenges in some countries, which adversely affected economic activity and weakened exchange rates;
- Margin compression as a result of funding pressures across the continent and new competitors entering the market; and
- New tax regimes, foreign exchange laws and deposit regulations in some countries.

Looking ahead, we will focus on the following strategic objectives:

- Landing key innovation projects such as mobile money and completing delivery of the digitisation of our trade business estate;
- Achieving separation on time and simplifying our operating structure to better serve our clients;
- Continued focus on engagement with key customers in order to refine our product offering to suit their business needs;
- Accessing international clients through our new International Office and expansion into the Asia Corridor;
- Launching a pan-African custody and trustee business; and
- Building out our Nigerian franchise.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

CIB Absa Regional Operations

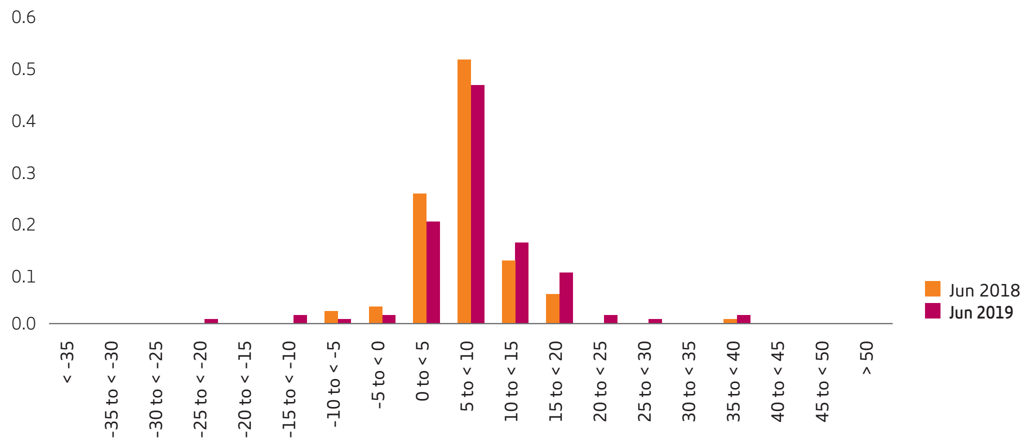
for the reporting period ended

Business performance *(continued)*

Investment Bank

Revenue growth was strong at 17% in constant currency.

Daily markets income distribution (%)



Favourable factors contributing to this performance included the following:

- Increased focus on cross-selling and new clients, leading to further market share gains and a higher contribution from client franchise revenue across segments;
- Success in migrating some large Corporates clients to risk management products;
- Launch of new products including Credit and Rates trading;
- Launch of Retail branch FX infrastructure resulting in increased deal flows;
- Key hires resulting in improved client coverage and increased collaboration with the transactional banking business; and
- Effective risk management resulting in preservation of client margins.

Adverse factors included:

- Regulatory interventions in certain countries resulting in restrictions on trading activities and margins;
- Subdued liquidity in some markets providing fewer revenue opportunities; and
- An adverse political climate in some countries resulting in delayed conversion of pipelines.

Looking ahead, we will focus on the following strategic initiatives:

- Continued focus on e-commerce strategy to improve client service and experience;
- Enhancement of the CIB pan-Africa product and coverage model to provide integrated solutions to international clients; and
- Expansion into non-presence markets to grow and diversify revenue streams and provide clients with new market opportunities.

Head office, Treasury and other operations in South Africa

for the reporting period ended

Financial performance

Head Office, Treasury and other operations in South Africa includes the Investment Management business. The Investment Management business was previously managed and reported as part of the Group's Wealth, Investment Management and Insurance (WIMI) segment.

Investment Management offers investment management, multi-management, unit trusts and linked investments products and solutions to individual and institutional clients.

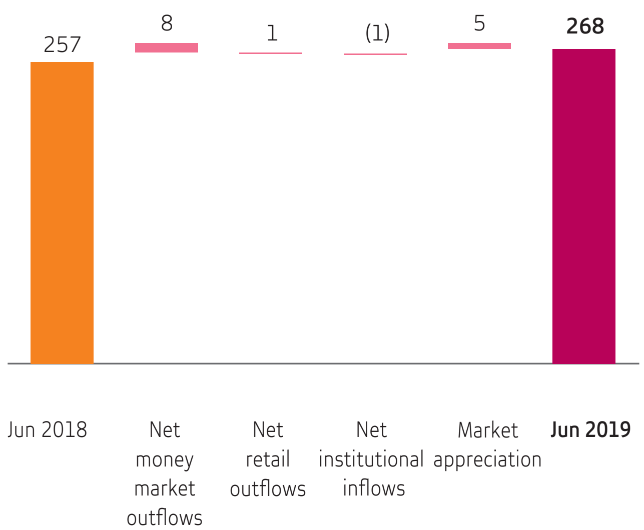
Investment Management headline earnings increased by 10% to **R187m** (30 June 2018: R170m). This increase in headline earnings was driven by revenue growth of 5% to **R575m** (30 June 2018: R548m) and sub-inflation operating expenses growth of 1%.

Investment Management – Assets under management and administration

	30 June			31 December
	2019 Rbn	2018 Rbn	Change %	2018 Rbn
Assets under management and administration	**268**	257	4	281
Money market	**74**	67	10	75
Non-money market	**194**	190	2	206

Movement in assets under management and administration (Rbn)

Assets under management increased 4% to **R268bn** (30 June 2018: R257bn) and declined 5% since 31 December 2018 (R281bn). Year-to-date net outflows were R22bn mainly as a result of outflows within the Alternative Asset Management derivatives strategies.



IFRS Group performance

133 Consolidated IFRS salient features
134 Consolidated IFRS statement of comprehensive income
136 Consolidated IFRS statement of financial position
138 Consolidated IFRS statement of changes in equity
144 Consolidated IFRS statement of cash flows
145 Condensed IFRS notes to the consolidated financial statements
150 IFRS segment performance
152 Barclays separation effects

Consolidated IFRS salient features

for the reporting period ended

	30 June 2019	30 June 2018	Change %	31 December 2018
Statement of comprehensive income (Rm)				
Income[1]	**39 152**	37 316	5	76 515
Operating expenses	**22 999**	22 198	4	46 803
Profit attributable to ordinary equity holders	**7 641**	7 253	5	13 917
Headline earnings	**7 650**	7 324	4	14 142
Statement of financial position				
Total assets (Rm)[1]	**1 376 705**	1 244 685	11	1 288 744
Financial performance (%)				
Return on equity (RoE)[1]	**14.0**	14.1		13.4
Return on average assets (RoA)	**1.16**	1.26		1.17
Return on risk-weighted assets (RoRWA)[1]	**1.87**	2.01		1.86
Operating performance (%)				
Net interest margin on average interest-bearing assets[1]	**4.52**	4.69		4.65
Non-interest income as percentage of total income[1]	**41.8**	43.6		42.8
Cost-to-income ratio[1]	**58.7**	59.5		61.2
Jaws[1]	**1**	(6)		(4)
Effective tax rate	**27.5**	28.7		29.2
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**831.2**	831.8		827.5
Weighted average number of ordinary shares in issue	**831.5**	832.0		830.1
Diluted weighted average number of ordinary shares in issue	**833.0**	834.4		831.7
Share statistics (cents)				
Headline earnings per ordinary share (HEPS)	**920.0**	880.3	5	1 703.7
Diluted headline earnings per ordinary share (DHEPS)	**918.4**	877.8	5	1 700.4
Basic earnings per ordinary share (EPS)	**918.9**	871.9	5	1 676.5
Diluted basic earnings per ordinary share (DEPS)	**917.2**	869.4	5	1 673.3
Dividend per ordinary share relating to income for the reporting period	**505**	490	3	1 110
Dividend cover (times)	**1.8**	1.8	1	1.5
NAV per ordinary share[1]	**13 534**	12 915	5	13 233
Tangible NAV per ordinary share[1]	**12 404**	12 146	2	12 185
Capital adequacy (%)				
Absa Group Limited	**16.0**	16.7		16.1
Absa Bank Limited	**16.6**	17.9		16.5
Common Equity Tier 1 (%)				
Absa Group Limited	**12.5**	13.3		12.8
Absa Bank Limited	**12.2**	13.5		12.3

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

Consolidated IFRS statement of comprehensive income

for the reporting period ended

		30 June			31 December
	Note	2019 Rm	2018 Rm	Change %	2018 Rm
Net interest income	2	**22 780**	21 049	8	43 755
Interest and similar income[1]		**47 953**	43 167	11	89 236
Effective interest income[1]		**47 239**	42 817	10	87 634
Other interest income		**714**	350	>100	1 602
Interest expense and similar charges[2]		**(25 173)**	(22 118)	14	(45 481)
Non-interest income	3	**16 372**	16 267	1	32 760
Net fee and commission income		**11 580**	10 991	5	22 523
Fee and commission income	3.1	**13 090**	12 604	4	25 675
Fee and commission expense	3.1	**(1 510)**	(1 613)	(6)	(3 152)
Net insurance premium income	3.2	**3 778**	3 465	9	7 190
Net claims and benefits incurred on insurance contracts	3.3	**(1 931)**	(1 741)	11	(3 565)
Changes in investment and insurance contract liabilities	3.4	**(1 238)**	(114)	>100	808
Gains and losses from banking and trading activities	3.5	**2 509**	3 097	(19)	5 820
Gains and losses from investment activities	3.6	**1 202**	243	>100	(636)
Other operating income	3.7	**472**	326	45	620
Total income[1]		**39 152**	37 316	5	76 515
Impairment losses[1]	4	**(3 695)**	(3 117)	19	(6 324)
Operating income before operating expenses		**35 457**	34 199	4	70 191
Operating expenses	5	**(22 999)**	(22 198)	4	(46 803)
Other expenses		**(893)**	(964)	(7)	(2 026)
Other impairments		**(44)**	(184)	(76)	(434)
Indirect taxation	6	**(849)**	(780)	9	(1 592)
Share of post-tax results of associates and joint ventures		**93**	56	66	179
Operating profit before income tax		**11 658**	11 093	5	21 541
Taxation expense	7	**(3 204)**	(3 189)	(0)	(6 282)
Profit for the reporting period		**8 454**	7 904	7	15 259
Profit attributable to:					
Ordinary equity holders		**7 641**	7 253	5	13 917
Non-controlling interest – ordinary shares		**470**	379	24	801
Non-controlling interest – preference shares		**174**	176	(1)	351
Non-controlling interest – Additional Tier 1 capital		**169**	96	76	190
		8 454	7 904	7	15 259
Earnings per share:					
Basic earnings per share (cents)	1	**918.9**	871.9	5	1 676.5
Diluted earnings per share (cents)	1	**917.2**	869.4	5	1 673.3

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

[2] The Group has elected to change its accounting policy to no longer present other interest expense and similar charges separately from interest expense calculated using the effective interest method. This results in more relevant information as in this manner, the Group achieves consistency with its peers. There is no impact on the 2018 comparative SOCI for 30 June and 31 December, as total other interest expense and similar charges were Rnil.

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	30 June			31 December
	2019 Rm	2018 Rm	Change %	2018 Rm
Profit for the reporting period	**8 454**	7 904	7	15 259
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(25)**	3	<(100)	53
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**2**	2	—	27
Fair value gains	**3**	2	50	38
Deferred tax	**(1)**	—	100	(11)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(20)**	5	<(100)	(13)
Fair value losses	**(28)**	(45)	(38)	(71)
Deferred tax	**8**	50	(84)	58
Movement in retirement benefit fund assets and liabilities	**(7)**	(4)	75	39
Decrease in retirement benefit surplus	**(11)**	(6)	83	(26)
Decrease in retirement benefit deficit	**1**	1	—	55
Deferred tax	**3**	1	>100	10
Items that are or may be subsequently reclassified to profit or loss	**122**	2 022	(94)	2 215
Movement in foreign currency translation reserve	**(998)**	2 379	<(100)	3 052
Differences in translation of foreign operations[1]	**(998)**	2 379	<(100)	3 052
Movement in cash flow hedging reserve	**971**	(588)	<(100)	(247)
Fair value gains/(losses)	**1 696**	(737)	<(100)	265
Amounts transferred within other comprehensive income	**(5)**	—	100	(58)
Amount removed from other comprehensive income and recognised in profit or loss	**(342)**	(80)	>100	(550)
Deferred tax	**(378)**	229	<(100)	96
Movement in fair value of debt instruments measured at FVOCI	**149**	231	(35)	(590)
Fair value gains/(losses)	**198**	332	(40)	(750)
Release to profit or loss	**—**	3	(100)	(9)
Deferred tax	**(49)**	(104)	(53)	169
Total comprehensive income for the reporting period[1]	**8 551**	9 929	(14)	17 527
Total comprehensive income attributable to:				
Ordinary equity holders[1]	**7 767**	8 946	(13)	15 816
Non-controlling interest – ordinary shares	**441**	711	(38)	1 170
Non-controlling interest – preference shares	**174**	176	(1)	351
Non-controlling interest – Additional Tier 1 capital	**169**	96	76	190
	8 551	9 929	(14)	17 527

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

Consolidated IFRS statement of financial position

as at

		30 June			31 December
	Note	2019 Rm	2018 Rm	Change %	2018 Rm
Assets					
Cash, cash balances and balances with central banks		**52 489**	48 578	8	46 929
Investment securities		**129 487**	127 437	2	135 420
Loans and advances to banks		**66 947**	62 843	7	53 140
Trading portfolio assets		**134 595**	124 982	8	128 569
Hedging portfolio assets		**3 361**	2 325	45	2 411
Other assets[1]		**52 781**	49 447	7	30 642
Current tax assets[1]		**1 137**	1 268	(10)	819
Non-current assets held for sale		**148**	79	87	239
Loans and advances to customers[1]		**882 365**	781 171	13	841 720
Reinsurance assets		**1 085**	905	20	618
Investments linked to investment contracts		**19 516**	19 194	2	18 481
Investments in associates and joint ventures[1]		**1 520**	1 187	28	1 310
Investment properties		**503**	420	20	508
Property and equipment		**18 407**	15 752	17	15 835
Goodwill and intangible assets		**9 395**	6 392	47	8 672
Deferred tax assets[1]		**2 969**	2 705	10	3 431
Total assets[1]		**1 376 705**	1 244 685	11	1 288 744
Liabilities					
Deposits from banks		**116 687**	88 466	32	121 421
Trading portfolio liabilities		**50 036**	67 697	(26)	51 632
Hedging portfolio liabilities		**1 294**	1 339	(3)	1 343
Other liabilities[1]		**59 996**	54 248	11	36 662
Provisions		**2 762**	2 558	8	4 017
Current tax liabilities		**69**	309	(78)	236
Non-current liabilities held for sale		**121**	7	>100	124
Deposits due to customers		**797 708**	714 491	12	736 305
Debt securities in issue		**164 321**	140 782	17	160 971
Liabilities under investment contracts		**30 235**	30 546	(1)	29 674
Policyholder liabilities under insurance contracts		**4 806**	4 570	5	4 168
Borrowed funds		**21 942**	21 448	2	20 225
Deferred tax liabilities		**419**	136	>100	360
Total liabilities[1]		**1 250 396**	1 126 597	11	1 167 138
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 662**	1 663	(0)	1 655
Share premium	11	**10 824**	10 850	(0)	10 205
Retained earnings[1]		**93 286**	88 841	5	91 237
Other reserves[1]		**6 725**	6 075	11	6 387
		112 497	107 429	5	109 484
Non-controlling interest – ordinary shares[1]		**4 749**	4 515	5	4 737
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**4 419**	1 500	>100	2 741
Total equity[1]		**126 309**	118 088	7	121 606
Total liabilities and equity[1]		**1 376 705**	1 244 685	11	1 288 744

[1] The June 2018 number has been restated, refer to the report overview on the inside cover page.

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Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	827 477	1 655	10 205	91 237	6 387	823
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	(243)	—	—
Adjusted balance at the beginning of the reporting period	827 477	1 655	10 205	90 994	6 387	823
Total comprehensive income	—	—	—	7 615	152	—
Profit for the period	—	—	—	7 641	—	—
Other comprehensive income	—	—	—	(26)	152	—
Dividends paid during the reporting period	—	—	—	(5 170)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(249)	(6)	—	—
Elimination of the movement in treasury shares held by Group entities	3 728	7	619	—	—	—
Movement in share-based payment reserve	—	—	249	—	39	—
Transfer from share-based payment reserve	—	—	249	—	(249)	—
Value of employee services	—	—	—	—	262	—
Deferred tax	—	—	—	—	26	—
Movement in general credit risk reserve	—	—	—	(43)	43	43
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(11)	11	—
Share of post-tax results of associates and joint ventures	—	—	—	(93)	93	—
Balance at the end of the reporting period	831 205	1 662	10 824	93 286	6 725	866

30 June 2019

	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
	(80)	403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606
	—	—	—	—	—	—	(243)	(13)	—	—	(256)
	(80)	403	3 060	7	877	1 297	109 241	4 724	4 644	2 741	121 350
	126	971	(945)	—	—	—	7 767	441	174	169	8 551
	—	—	—	—	—	—	7 641	470	174	169	8 454
	126	971	(945)	—	—	—	126	(29)	—	—	97
	—	—	—	—	—	—	(5 170)	(424)	(174)	—	(5 758)
	—	—	—	—	—	—	—	10	—	—	10
	—	—	—	—	—	—	—	—	—	(169)	(169)
	—	—	—	—	—	—	—	—	—	1 678	1 678
	—	—	—	—	—	—	(255)	—	—	—	(255)
	—	—	—	—	—	—	626	—	—	—	626
	—	—	—	—	39	—	288	(2)	—	—	286
	—	—	—	—	(249)	—	—	—	—	—	—
	—	—	—	—	262	—	262	(2)	—	—	260
	—	—	—	—	26	—	26	—	—	—	26
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	11	—	—	—	—	—	—	—
	—	—	—	—	—	93	—	—	—	—	—
	46	1 374	2 115	18	916	1 390	112 497	4 749	4 644	4 419	126 309

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	832 838	1 666	10 498	92 080	4 370	779
Impact of adopting new accounting standards at 1 January 2018						
IFRS 9[1]	—	—	—	(5 413)	(126)	—
IFRS 15	—	—	—	(44)	—	—
Adjusted balance at the beginning of the reporting period	832 838	1 666	10 498	86 623	4 244	779
Total comprehensive income[1]	—	—	—	7 255	1 691	—
Profit for the period	—	—	—	7 253	—	—
Other comprehensive income[1]	—	—	—	2	1 691	—
Dividends paid during the reporting period	—	—	—	(4 962)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(236)	(42)	—	—
Elimination of the movement in treasury shares held by Group entities	(1 097)	(3)	352	—	—	—
Movement in share-based payment reserve	—	—	236	—	107	—
Transfer from share-based payment reserve	—	—	236	—	(236)	—
Value of employee services	—	—	—	—	371	—
Deferred tax	—	—	—	—	(28)	—
Movement in general credit-risk reserve	—	—	—	24	(24)	(24)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—
Share of post-tax results of associates and joint ventures	—	—	—	(56)	56	—
Balance at the end of the reporting period	831 741	1 663	10 850	88 841	6 075	755

[1] These numbers have been restated, refer to the report overview on the inside cover page.

30 June 2018

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
445	650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	837	1 118	103 031	4 270	4 644	1 500	113 445
227	(588)	2 052	—	—	—	8 946	711	176	96	9 929
—	—	—	—	—	—	7 253	379	176	96	7 904
227	(588)	2 052	—	—	—	1 693	332	—	—	2 025
—	—	—	—	—	—	(4 962)	(466)	(176)	—	(5 604)
—	—	—	—	—	—	—	—	—	(96)	(96)
—	—	—	—	—	—	(278)	—	—	—	(278)
—	—	—	—	—	—	349	—	—	—	349
—	—	—	—	107	—	343	—	—	—	343
—	—	—	—	(236)	—	—	—	—	—	—
—	—	—	—	371	—	371	—	—	—	371
—	—	—	—	(28)	—	(28)	—	—	—	(28)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	56	—	—	—	—	—
650	62	2 483	7	944	1 174	107 429	4 515	4 644	1 500	118 088

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the end of the previous reporting period	832 838	1 666	10 498	92 080	4 370	779
Impact of adopting new accounting standards at 1 January 2018						
IFRS 9	—	—	—	(5 413)	(126)	—
IFRS 15	—	—	—	(44)	—	—
Adjusted balance at the beginning of the reporting period	832 838	1 666	10 498	86 623	4 244	779
Total comprehensive income	—	—	—	13 937	1 879	—
Profit for the period	—	—	—	13 917	—	—
Other comprehensive income	—	—	—	20	1 879	—
Dividends paid during the reporting period	—	—	—	(9 033)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(491)	(66)	—	—
Elimination of the movement in treasury shares held by Group entities	(5 361)	(11)	(293)	—	—	—
Movement in share-based payment reserve	—	—	491	—	40	—
Transfer from share-based payment reserve	—	—	491	—	(491)	—
Value of employee services	—	—	—	—	554	—
Deferred tax	—	—	—	—	(23)	—
Movement in general credit-risk reserve	—	—	—	(44)	44	44
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—
Share of post-tax results of associates and joint ventures	—	—	—	(179)	179	—
Balance at the end of the reporting period	827 477	1 655	10 205	91 237	6 387	823

31 December 2018

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 capital Rm	Total equity Rm
445	650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	837	1 118	103 031	4 270	4 644	1 500	113 445
(503)	(247)	2 629	—	—	—	15 816	1 170	351	190	17 527
—	—	—	—	—	—	13 917	801	351	190	15 259
(503)	(247)	2 629	—	—	—	1 899	369	—	—	2 268
—	—	—	—	—	—	(9 033)	(703)	(351)	—	(10 087)
—	—	—	—	—	—	—	—	—	(190)	(190)
—	—	—	—	—	—	—	—	—	1 241	1 241
—	—	—	—	—	—	(557)	—	—	—	(557)
—	—	—	—	—	—	(304)	—	—	—	(304)
—	—	—	—	40	—	531	—	—	—	531
—	—	—	—	(491)	—	—	—	—	—	—
—	—	—	—	554	—	554	—	—	—	554
—	—	—	—	(23)	—	(23)	—	—	—	(23)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	179	—	—	—	—	—
(80)	403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606

Consolidated IFRS statement of cash flows

for the reporting period ended

	Note	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Net cash generated from/(utilised in) operating activities		**2 217**	(1 471)	>(100)	13 884
Net cash utilised in investing activities		**(2 950)**	(1 706)	73	(6 577)
Net cash utilised in financing activities		**(2 332)**	(141)	>100	(6 521)
Net (decrease)/increase in cash and cash equivalents		**(3 065)**	(3 318)	(8)	786
Cash and cash equivalents at the beginning of the reporting period	1	**18 494**	17 320	7	17 320
Effect of foreign exchange rate movements on cash and cash equivalents		**(318)**	361	>(100)	388
Cash and cash equivalents at the end of the reporting period	2	**15 111**	14 363	5	18 494

Notes to the condensed consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Cash, cash balances and balances with central banks[1]	**14 252**	13 518	5	13 518
Loans and advances to banks[2]	**4 242**	3 802	12	3 802
	18 494	17 320	7	17 320

2. Cash and cash equivalents at the end of the reporting period

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Cash, cash balances and balances with central banks[1]	**11 241**	10 428	8	14 252
Loans and advances to banks[2]	**3 870**	3 935	(2)	4 242
	15 111	14 363	5	18 494

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital by the Group.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings	30 June 2019 Gross Rm	30 June 2019 Net Rm	30 June 2018 Gross Rm	30 June 2018 Net Rm	Net change %	31 December 2018 Gross Rm	31 December 2018 Net Rm
Headline earnings are determined as follows:							
Profit attributable to ordinary equity holders		**7 641**		7 253	5		13 917
Total headline earnings adjustment		**9**		71	(87)		225
IFRS 3 – Goodwill impairment	**—**	**—**	—	—	—	34	34
IFRS 5 – Profit on disposal of non-current assets held for sale	**(14)**	**(12)**	(121)	(73)	(84)	(142)	(80)
IAS 16 – (Profit)/Loss on disposal of property and equipment	**(7)**	**(6)**	5	3	<(100)	5	2
IAS 36 – Impairment of property and equipment	**44**	**33**	182	141	(77)	398	297
IAS 36 – Impairment of intangible assets	**—**	**—**	—	—	—	2	1
IFRS 5 – Re-measurement of non-current assets held for sale	**(9)**	**(6)**	—	—	100	—	—
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	—	(38)	(29)
		7 650		7 324	4		14 142

	30 June 2019 Rm	30 June 2018 Rm	Change value/ %	31 December 2018 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 641**	7 253	5	13 917
Weighted average number of ordinary shares in issue (million)	**831.5**	832.0	(0.5)	830.1
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(16.3)**	(15.8)	(0.5)	(17.7)
Basic earnings per ordinary share (cents)	**918.9**	871.9	5	1 676.5
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**7 641**	7 253	5	13 917
Diluted weighted average number of ordinary shares in issue (million)	**833.0**	834.4	(1.4)	831.7
Weighted average number of ordinary shares in issue (million)	**831.5**	832.0	(0.5)	830.1
Adjustments for share options issued at no value (million)	**1.5**	2.4	(0.9)	1.6
Diluted basic earnings per ordinary share (cents)	**917.2**	869.4	5	1 673.3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 650**	7 324	4	14 142
Weighted average number of ordinary shares in issue (million)	**831.5**	832.0	(0.5)	830.1
Headline earnings per ordinary share (cents)	**920.0**	880.3	5	1 703.7
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**7 650**	7 324	4	14 142
Diluted weighted average number of ordinary shares in issue (million)	**833.0**	834.4	(1.4)	831.7
Diluted headline earnings per ordinary share (cents)	**918.4**	877.8	5	1 700.4

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2019 Rm	2018 Rm	Change %	2018 Rm
Net gains on investments	**129**	272	(53)	341
Debt instruments designated at fair value through profit or loss	**60**	190	(68)	220
Equity instruments designated at fair value through profit or loss	**69**	81	(15)	112
Unwind from reserves for debt instruments at FVOCI	**—**	1	(100)	9
Net trading result	**2 444**	2 433	0	4 971
Net trading income excluding the impact of hedge accounting	**2 247**	2 510	(10)	5 183
Ineffective portion of hedges	**197**	(77)	<(100)	(212)
Cash flow hedges	**200**	(72)	<(100)	(198)
Fair value hedges	**(3)**	(5)	(40)	(14)
Other gains	**(64)**	392	<(100)	508
	2 509	3 097	(19)	5 820
Segment split[1]				
RBB South Africa	**310**	227	37	503
CIB South Africa	**811**	1 256	(35)	2 535
Absa Regional Operations	**1 261**	1 009	25	2 153
Head Office, Treasury and other operations in South Africa[2]	**160**	172	(7)	80
Barclays separation effects	**(33)**	433	<(100)	549
	2 509	3 097	(19)	5 820

[1] The numbers have been restated, refer to the report changes overview on the inside cover page.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Property-related income	**48**	30	60	146
Income from investment properties	**3**	5	(40)	47
Change in fair value	**—**	—	—	38
Rentals	**3**	5	(40)	9
Property-related income arising from contracts with customers	**45**	25	80	99
Profit/(Loss) on disposal of property and equipment	**7**	(13)	<(100)	(14)
Profit on sale of developed properties	**10**	10	—	34
Profit on sale of repossessed properties	**10**	11	(9)	31
Rental income	**18**	17	6	48
Other operating income	**424**	296	43	475
Foreign exchange differences, including recycle from other comprehensive income	**14**	9	56	35
Income from maintenance contracts	**15**	20	(25)	39
Sundry income	**395**	267	48	401
	472	326	45	621
Segment split[1]				
Property-related income	**48**	30	60	146
RBB South Africa	**30**	27	11	105
Absa Regional Operations	**17**	6	>100	15
Head Office, Treasury and other operations in South Africa	**1**	(3)	<(100)	26
Other operating income	**424**	296	43	475
RBB South Africa	**352**	130	>100	282
CIB South Africa	**(2)**	—	100	24
Absa Regional Operations	**28**	16	75	25
Head Office, Treasury and other operations in South Africa	**45**	170	(74)	168
Barclays separation effects	**1**	(20)	<(100)	(24)
	472	326	45	621

[1] The numbers have been restated, refer to the report changes overview on the inside cover page.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Breakdown of operating expenses	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Administration fees	**305**	276	11	469
Amortisation of intangible assets	**561**	366	53	846
Auditors' remuneration	**157**	162	(3)	356
Cash transportation	**640**	612	5	1 266
Depreciation	**1 767**	1 138	55	2 354
Equipment costs	**176**	183	(4)	370
Information technology	**1 894**	1 597	19	3 292
Marketing costs	**633**	834	(24)	1 962
Operating lease expenses on properties	**110**	799	(86)	1 607
Other[1]	**1 217**	1 215	0	2 778
Printing and stationery	**165**	165	—	362
Professional fees	**822**	1 033	(20)	2 700
Property costs	**844**	883	(4)	1 816
Staff costs	**12 849**	11 974	7	24 761
Bonuses	**727**	822	(12)	2 196
Deferred cash and share-based payments	**376**	484	(22)	771
Other[2]	**499**	520	(4)	984
Salaries and current service costs on post-retirement benefit funds	**11 063**	9 937	11	20 384
Training costs	**184**	211	(13)	426
TSA direct costs	**258**	496	(48)	821
Telephone and postage	**601**	465	29	1 043
	22 999	22 198	4	46 803
Barclays separation effects	**863**	1 364	(37)	3 161
TSA direct costs	**258**	496	(48)	820
Professional fees	**87**	317	(73)	880
Staff costs	**263**	327	(20)	730
Other[3]	**255**	224	14	731

Total operating cost growth reflects costs incurred in relation to the separation from Barclays PLC of **R863m** (2018: R1 364m), a decrease of 37%. These costs decrease the year-on-year growth rates mainly in TSA direct costs and professional fees.

6. Indirect taxation

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Training levy	**109**	112	(3)	211
Value-added tax net of input credits	**740**	668	11	1 381
	849	780	9	1 592

1 Includes net fraud losses, travel and entertainment costs.

2 Includes recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

3 Includes marketing costs, amortisation, travel and entertainment costs, information technology costs, property costs, depreciation and auditor's remuneration costs.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**11 658**	11 093	5	21 541
Share of post-tax results of associates and joint ventures	**(93)**	(56)	66	(179)
	11 565	11 037	5	21 362
Tax calculated at a tax rate of 28%	**3 238**	3 090	5	5 981
Effect of different tax rates in other countries	**51**	(2)	<(100)	34
Expenses not deductible for tax purposes[1,3]	**310**	321	(3)	940
Assessed losses[3]	**38**	76	(50)	84
Dividend income	**(268)**	(226)	19	(434)
Non-taxable interest[2]	**(101)**	(112)	(10)	(181)
Other income not subject to tax	**(9)**	(9)	—	(124)
Other	**(57)**	9	<(100)	(56)
Items of a capital nature	**2**	42	(95)	38
	3 204	3 189	0	6 282

11. Equity

	30 June 2019 Rm	30 June 2018 Rm	Change %	31 December 2018 Rm
Authorised				
880 467 500 (30 June 2018: 880 467 500; 31 December 2018: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2018: 847 750 679; 31 December 2018: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
116 545 370 (30 June 2018: 16 009 837 ;31 December 2018: 20 273 811) treasury shares held by Group entities	**(34)**	(33)	(3)	(41)
	1 662	1 663	0	1 655
Total issued capital				
Share capital	**1 662**	1 663	0	1 655
Share premium	**10 824**	10 850	(0)	10 205
	12 486	12 513	(0)	11 860

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2019 Number of shares (million)	30 June 2018 Number of shares (million)	Change %	31 December 2018 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(16.5)**	(16.0)	3	(20.3)
	831.2	831.8	(0)	827.5

[1] This includes donations, non-deductible levies and other non-deductible expenses.

[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

[3] In the prior period 'Expenses not deductible for tax purposes' has been disaggregated to 'Expenses not deductible for tax purposes' (30 June 2018: R321m; 31 December 2018: R940m) and 'Assessed losses' (30 June 2018: R76m; 31 December 2018: R84m)

6 Overview
11 Normalised salient features
12 Normalised salient features by segment
13 Profit commentary
18 Basis of presentation
19 Dividend announcement
20 Financials and notes to the financials
71 WIMI segment change
73 Overview
76 Per market segment
78 Per geographical segment
80 RBB South Africa
100 CIB South Africa
112 Absa Regional Operations
130 Head Office, Treasury and other operations

IFRS segment performance

for the reporting period ended

	Total Group normalised performance			
	30 June			31 December
	2019	2018[1]	Change %	2018
Statement of comprehensive income (Rm)				
Net interest income	**22 667**	20 874	9	43 425
Non-interest income	**16 404**	15 854	3	32 235
Total income	**39 071**	36 728	6	75 660
Impairment losses	**(3 695)**	(3 117)	19	(6 324)
Operating expenses	**(22 136)**	(20 834)	6	(43 642)
Other expenses	**(760)**	(832)	(9)	(1 653)
Operating profit before income tax	**12 480**	11 945	4	24 041
Tax expenses	**(3 385)**	(3 322)	2	(6 766)
Profit for the reporting period	**9 095**	8 623	5	17 275
Profit attributable to:				
Ordinary equity holders	**8 258**	7 972	4	15 903
Non-controlling interest – ordinary shares	**494**	379	30	831
Non-controlling interest – preference shares	**174**	176	(1)	351
Non-controlling interest – Additional Tier 1	**169**	96	76	190
	9 095	8 623	5	17 275
Headline earnings	**8 267**	8 043	3	16 128
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.52**	4.69		4.64
Credit loss ratio	**0.79**	0.75		0.73
Non-interest income as % of income	**42.0**	43.2		42.6
Income growth	**6**	2		4
Operating expenses growth	**6**	4		5
Cost-to-income ratio	**56.7**	56.7		57.7
Statement of financial position (Rm)				
Loans and advances to customers	**882 365**	781 171	13	841 720
Loans and advances to banks	**66 947**	62 843	7	53 140
Investment securities	**129 487**	127 437	2	135 420
Other assets	**293 998**	271 629	8	255 272
Total assets	**1 372 797**	1 243 080	10	1 285 552
Deposits due to customers	**797 708**	714 491	12	736 305
Debt securities in issue	**164 321**	140 782	17	160 971
Other liabilities[2]	**292 586**	279 820	5	275 423
Total liabilities	**1 254 615**	1 135 093	11	1 172 699
Financial performance (%)				
RoRWA	**2.02**	2.21		2.12
RoA	**1.26**	1. 40		1. 34

[1] The June 2018 numbers have been restated, refer to the report remove overview on the inside cover page.

[2] The amount in Barclays separation effects table represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 21).

Barclays separation effects				IFRS Group			
30 June			31 December	30 June			31 December
2019	2018	Change %	2018	**2019**	2018[1]	Change %	2018
113	175	(35)	330	**22 780**	21 049	8	43 755
(32)	413	<(100)	525	**16 372**	16 267	1	32 760
81	588	(86)	855	**39 152**	37 316	5	76 515
—	—	—	—	**(3 695)**	(3 117)	19	(6 324)
(863)	(1 364)	(37)	(3 161)	**(22 999)**	(22 198)	4	(46 803)
(40)	(76)	(47)	(194)	**(800)**	(908)	(12)	(1 847)
(822)	(852)	(4)	(2 500)	**11 658**	11 093	5	21 541
181	133	36	484	**(3 204)**	(3 189)	(0)	(6 282)
(641)	(719)	(11)	(2 016)	**8 454**	7 904	7	15 259
(617)	(719)	(14)	(1 986)	**7 641**	7 253	5	13 917
(24)	—	100	(30)	**470**	379	24	801
—	—	—	—	**174**	176	(1)	351
—	—	—	—	**169**	96	76	190
(641)	(719)	(11)	(2 016)	**8 454**	7 904	7	15 259
(617)	(719)	(14)	(1 986)	**7 650**	7 324	4	14 142
n/a	n/a		n/a	**4.52**	4.69		4.65
n/a	n/a		n/a	**0.79**	0.75		0.73
n/a	n/a		n/a	**41.8**	43.6		42.8
n/a	n/a		n/a	**5**	3		4
n/a	n/a		n/a	**4**	8		8
n/a	n/a		n/a	**58.7**	59.5		61.2
—	—	—	—	**882 365**	781 171	13	841 720
—	—	—	—	**66 947**	62 843	7	53 140
—	—	—	—	**129 487**	127 437	2	135 420
3 908	1 605	>100	3 192	**297 906**	273 234	9	258 464
3 908	1 605	>100	3 192	**1 376 705**	1 244 685	11	1 288 744
—	—	—	—	**797 708**	714 491	12	736 305
—	—	—	—	**164 321**	140 782	17	160 971
(4 219)	(8 496)	(50)	(5 561)	**288 367**	271 324	6	269 862
(4 219)	(8 496)	(50)	(5 561)	**1 250 396**	1 126 597	11	1 167 138
n/a	n/a		n/a	**1.87**	2.01		1.86
n/a	n/a		n/a	**1.16**	1.26		1.17

Barclays separation effects

Update on Programme

The separation programme continues to operate under a robust governance structure that involves the Group Board as well as various mechanisms of oversight and governance frameworks within the organisation. The Programme is equipped with a strong and experienced leadership team that works with colleagues and external service providers to deliver the execution of the portfolio of separation projects.

Absa Group Limited continues to establish its own capabilities while rolling off services provided by Barclays PLC, and service delivery from Barclays PLC remains stable. As of 30 June 2019, 140 of the 198 (71%) services that were contracted with Barclays PLC under the Transitional Services Agreement have terminated. The services scheduled for termination in H2 2019 are on track to roll-off.

There are 272 projects in the separation book of work, that are further classified into four categories (Platinum, Gold, Silver and Bronze) to effectively manage and prioritise the complexity of separation. 109 projects form the critical path for separation, defined as projects with the greatest degree of interdependencies and other risk orientated characteristics, with continuous dedicated focus and oversight placed on these projects. As of 30 June 2019, 193 separation projects (71%) have been successfully delivered, 60 of which are critical path projects. The majority of projects scheduled for delivery in the first half of 2019 were delivered, with mitigation plans in place for projects not delivered as planned. The projects and services are also subject to independent assurance reviews conducted by Group Change Risk on projects, services and capabilities delivered through a Combined Assurance programme across all Change initiatives.

Despite having already delivered 71% of projects in the book of work, there are still a number of critical path projects that are due to land in the next 12 months. As such, programme focus and oversight remains intensified to ensure that these critical projects deliver as planned, and remediation plans are closely monitored for projects with delivery risk.

With the Absa brand re-launch complete in South Africa in the prior year, the Brand and Name change programme to rollout the new Absa brand to the Absa Regional Operations (ARO) entities is well underway, with complete re-brand of all of Absa Group Limited's, Barclays-branded businesses in Africa to be concluded by June 2020. These entities will continue to be known as Barclays Bank in their home markets until launch of the Absa brand in each country. Products and services in those markets will not be affected by the name change.

Ongoing engagement with regulators continues to be an important area of focus. Various engagements have occurred throughout the year and include regular interactions with the South African Reserve Bank and regulators in the ARO countries.

Group Change

The establishment of a Group Change function is progressing well, leveraging learnings and capabilities established within the separation journey. A standardised prioritisation framework has been implemented, providing a consistent approach and platform to create an optimal Change portfolio for the Group. Extensive governance processes have been defined and are operational for the release of funding, execution oversight and benefits tracking. Strategic Initiatives (SI) demand has been further prioritised through reductions in scope, synergies in execution delivery, cost reductions in projects and regulatory extensions on key projects.

	Barclays separation effects			
	30 June			31 December
	2019	2018	Change %	2018
Statement of comprehensive income (Rm)				
Net interest income	**113**	175	(35)	330
Non-interest income	**(32)**	413	<(100)	525
Total income	**81**	588	(86)	855
Operating expenses	**(863)**	(1 364)	(37)	(3 161)
Other expenses	**(40)**	(76)	(47)	(194)
Operating profit before income tax	**(822)**	(852)	(4)	(2 500)
Tax expenses	**181**	133	36	484
Profit for the reporting period	**(641)**	(719)	(11)	(2 016)
Profit attributable to:				
Ordinary equity holders	**(617)**	(719)	(14)	(1 986)
Non-controlling interest – ordinary shares	**(24)**	—	100	(30)
	(641)	(719)	(11)	(2 016)
Headline earnings	**(617)**	(719)	(14)	(1 986)

Barclays separation effects

	Barclays separation effects			
	30 June			31 December
	2019	2018	Change %	2018
Statement of financial position (Rm)				
Intangible assets	**3 365**	1 409	>100	2 689
Property, plant and equipment	**365**	196	86	299
Other assets	**178**	—	100	204
Total assets	**3 908**	1 605	>100	3 192
Other liabilities[1]	**(4 219)**	(8 496)	(50)	(5 561)
Total equity	**8 127**	10 101	(20)	8 753
Total equity and liabilities	**3 908**	1 605	>100	3 192

Statement of comprehensive income

Net interest income of **R113m** (30 June 2018: R175m) relates to income earned on the contribution received from Barclays PLC to provide the necessary capital funding to ensure successful separation. The reduction in capital funding drives the 35% decline in net interest income. Capital funding will continue to decline as costs are incurred on project execution.

Non-interest income relates to foreign currency revaluation losses of **R32m** (30 June 2018: R413m gains) on GBP and USD deposits held to settle Transitional Services Agreement costs and other foreign currency denominated costs. The foreign currency loss of R32m reported in the first half of 2019 is due to the rand strengthening.

Operating expenses of **R863m** (30 June 2018: R1 364m) primarily include, **R258m** (30 June 2018: R496m) for payments to Barclays PLC for services rendered to Absa and ARO subsidiaries under the Transitional Services Agreement and **R605m** (30 June 2018: R866m) relating to expensed project execution and programme support costs. Transitional Service Agreement costs reduced by 48% to R258m following the localisation of services and the resultant termination of Barclays PLC services.

The expense project execution costs relate mainly to Staff costs of **R263m** (30 June 2018: R327m), Amortisation of Intangible assets of **R93m** (30 June 2018: R3m), Professional fees of **R87m** (30 June 2018: R317m) and Marketing costs of **R52m** (30 June 2018: R104m). Professional fees decreased by 73% because of higher advisory fees in the prior year base. This was despite a year-on-year increase in cash spend on project execution which was offset by the effect of higher capitalisation in 2019. The increase in amortisation expense aligns to the increased capitalised software assets that were brought into use.

Other expenses relate to indirect taxation of **R40m** (30 June 2018: R76m).

Statement of comprehensive income

Total assets

Intangible assets consist of capitalised software, professional fees and staff costs relating to the development of such assets net of accumulated amortisation and accumulated impairment. The intangible asset book has increased on prior year as more projects are in development stage and qualify for capitalisation.

Property, plant and equipment mainly consists of hardware relating to separation technology projects.

Total equity and liabilities

Total equity of **R8.1bn** (30 June 2018: R10.1bn), is the R12.1bn contribution received from Barclays PLC and income earned on the contribution less Separation expenditure incurred to date.

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loan from Barclays separation segment' in the Condensed consolidated normalised statement of financial position (refer to page 21).

Risk management

Risk management overview

156 Enterprise Risk Management Framework
157 Current and emerging risks and opportunities
159 Risk and capital performance
160 Credit risk
161 Traded market risk
161 Treasury risks
161 Liquidity risk
162 Capital risk
163 Interest rate risk in the banking book
164 Operational risk
164 Business risk
165 Technology risk
165 Insurance risk
165 Model risk
166 Conduct risk
167 Legal risk

Capital management and RWA

168 Capital adequacy
170 Overview of RWA
172 Capital supply
173 Economic capital

Risk management overview

for the reporting period ended 30 June 2019

Enterprise Risk Management Framework

The Group maintains an active approach towards managing both current and emerging risks through the continued operating effectiveness of its Board-approved Enterprise Risk Management Framework (ERMF). This approach is underpinned by:

- A robust and aligned governance structure at Group, country and business level.
- Well defined material risk categories known as principal risks.
- A 'three lines of defence' model, with clear accountability for managing, overseeing and independently assuring risks.
- Comprehensive processes to evaluate, respond to, and monitor risks.
- A sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

Below is a depiction of the ERMF design.

Risk strategy and appetite

The strategy is set within the parameters of an agreed risk appetite. The risk strategy is developed alongside the Group's strategy. The risk appetite defines the nature and amount of risk the Group is willing to take to achieve strategic objectives.

Risk management framework

The Group's approach to managing risk is outlined in the ERMF. The following foundations underpin the ERMF:

1. A robust and consistent governance structure at Group, country and business level.
2. Well defined material risk categories known as principal risks.
3. A 'three lines of defence' model with clear accountability for managing and overseeing.
4. A comprehensive process to evaluate, respond to and monitor risks.
5. A robust risk operating model which provides clear roles and responsibilities.

Ten principal risks

Financial

Credit
Traded Market
Treasury
Insurance
Business

Non-financial

Operational
Conduct
Model
Technology (incl. cyber and change)
Legal

Risk operating model

The Group applies a 'three lines of defence' model to govern risk across all businesses and functions.

1st line
Process and control owners in customer facing segments and Group functions who are responsible for managing end-to-end risks and controls in their businesses.

2nd line
Independent risk, compliance, legal and control functions who formulate risk and control policies, and review the first line's adherence to these.

3rd line
Internal audit function tests and reviews controls to determine that the first and second lines execute their responsibilities effectively and consistently.

Evaluate, respond, monitor

This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

Evaluate
Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.

Respond
The appropriate risk response ensures that risks are managed within risk appetite. This includes:
- risk mitigation;
- risk transfer; and
- ceasing certain activities.

Monitor
Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Risk management overview

for the reporting period ended 30 June 2019

Current and emerging risks and opportunities

The Group identifies and assesses both external and internal risks, determines the appropriate response, and monitors the effectiveness of the implemented response. The following table outlines the existing and potential risks to the Group's strategic ambitions, and reflects its response to these risks.

Current and emerging risks	Responses
Strategic, execution and business risks arising from external and internal drivers	
› Global uncertainty arising from international trade discussions and Brexit result in increased pressure on emerging markets. › Disruption through Fintechs and new digitally-led competitor banks impacting customer relevance. › The separation combined with strategic organisational change increases business risk, reputational risk (specifically brand risk) and people risk.	› Monitor and manage risk strategy and appetite based on the ongoing evaluation of the global and African developments, while enabling business to pursue opportunities. › Deliver scalable digital solutions that focus on customer needs. › Build and embed a winning brand with a focus on innovative business processes and products including diversification into new markets and customer segments. › Closely monitor and actively manage risks arising from the separation and organisational change.
Economies in the Group's presence countries continue to exhibit subdued growth amid global and domestic uncertainties	
› Subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets. › Unfavourable macroeconomic environments with increasing debt burdens, and limited fiscal space seen in presence countries. › Increasing cost and scarcity of capital, funding and liquidity across global markets. › Policy uncertainty in South Africa is a barrier to investment. Key risks include the mining charter, potential land expropriation, state-owned entity uncertainty and economic disparities.	› Monitor leading indicators to ensure economic risks are effectively managed, including: o proactively managing credit portfolio risks, o hedging of interest rate risk and foreign exchange risk as appropriate, o strengthening the Group's position in the presence countries that are growth markets while seeking opportunities to diversify into new markets. › Analyse specific scenarios to assess the impact of a South African sovereign downgrade or a potential International Monetary Fund bailout. › Engage with communities and support initiatives as part of the Group's commitment to play a role in society. › Participate in industry advocacy groups to contribute to new and innovative ways to solve social challenges.
Technology and the pace of change impact competitiveness and operational risk	
› Ever-increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of monitoring and prevention to protect customers and the Group. › Threat detection and prevention of security breaches, disruptions and data mismanagement to protect customers.	› Continue investment in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues. › Develop artificial intelligence solutions using global data to strengthen security measures and crime prevention. › Educate employees and customers on the prevention of cyber-related risks.

Risk management overview

for the reporting period ended 30 June 2019

Current and emerging risks and opportunities *(continued)*

New and emerging regulations and oversight

- Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets (eg 'Basel III: Finalising post-crisis reforms' standard (Basel IV), National Credit Amendment Bill, Financial Sector Laws Amendment Bill, Protection of Personal Information Act, Financial Intelligence Centre Amendment Act, Financial Matters Amendment Bill, Conduct of Financial Institutions Act) require ongoing coordinated approaches to address.

- Maintain a coordinated, comprehensive and forward-looking approach to evaluate, respond to and monitor regulatory change, through ongoing improvement of the people, processes and systems across the Group.
- Participate in regulatory and statutory advocacy groups across all presence countries.

Environmental risks impact the Group's clients, organisation and operating environment

- Adverse weather conditions resulting in extreme environmental events (eg drought, floods and fires) impacting community sustainability with credit and insurance risk implications.
- Global stakeholder focus on sustainability of the investments and customers associated with corporates.
- Complexity of data available to accurately model the implications of climate change.

- Continuously assess the suitability and strategic alignment of products and customer value propositions against changing environmental factors and the impact on the Group's risk profile.
- Develop and enhance preventative and reactive credit and insurance risk models.
- Build relationships with clients whose environment impact is aligned with the Group strategy and risk appetite.

Risk management overview

for the reporting period ended 30 June 2019

Risk and capital performance

Key metrics

Common equity tier 1 (CET 1) ratio	
IFRS[1]	Normalised
12.5%	11.9%
June 2018: 13.3%	June 2018: 12.2%
Economic capital (EC) coverage	
IFRS[1]	Normalised
1.5	1.4
June 2018: 1.4	June 2018: 1.3
Leverage ratio	
IFRS[1]	Normalised
7.0%	6.7%
June 2018 : 7.5%	June 2018[2]: 6.9%
Liquidity coverage ratio (LCR)[3]	
127.0%	
June 2018: 108.6%	
Net stable funding ratio (NSFR)	
111.4%	
June 2018: 106.0%	
Credit loss ratio (CLR)	
0.79%	
June 2018: 0.75[2]%	
Stage 3 ratio on gross loans and advances (%)	
4.8%	
June 2018: 5.3%	
Stage 1 and stage 2 coverage ratio	
1.1%	
June 2018: 1.2[4]%	
Stage 3 coverage ratio	
44.3%	
June 2018: 45.0[5]%	
Operational risk losses	
R231m	
June 2018: R176m	

Review of current reporting period

- The Group maintained a capital position with capital buffers sufficient to withstand stressed conditions.
- The liquidity position remained healthy within liquidity risk appetite.
- The Group continued to invest in infrastructure, process engineering, people and technology in order to deliver improved operational resilience.
- Overall growth in loans and advances to customers of 12.4% was a reflection of positive momentum during the year.
- Robust loan growth was achieved without a material change in risk appetite, which together with the prolonged stable interest rate environment, resulted in a credit loss rate at the lower end of the Group's through-the-cycle range.

Priorities

The Group's operating environment is expected to continue to be challenging and risk management will remain a priority, including:

- Ongoing alignment of risk objectives with the Group's strategy to create shared growth for clients and communities in an efficient, responsible and sustainable way.
- Tight control and management of separation and execution risks by delivering a structured programme of work supported by ongoing monitoring of risks and independent quality assurance.
- Continued improvement of control, efficiency and operational resilience across critical processes including collections, cybersecurity and fraud, data management, disaster recovery and financial crime.
- Strengthening the employee value proposition to ensure the continued availability of risk professionals to enable the Group's strategy.
- Continued embedment of Risk Adjusted Performance Measurement approaches to ensure appropriate focus on achieving adequate levels of return in light of risks taken by the Group.
- Further enhancement of risk data aggregation and reporting capabilities at all levels of the organisation.
- Continued engagement with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcome for the banking sector and broader economy.
- Assessment and evaluation of the quantitative and qualitative implications of the implementation of the Basel IV published by the Basel Committee on Banking Supervision in December 2017; and the proposed amendments to the Regulations relating to Banks.

[1] IFRS results include the impact of the contribution amounts received as part of the Barclays PLC separation. All numbers include unappropriated profits.
[2] Restatement due to exclusion of post write-off recoveries from LGD.
[3] The Group LCR reflects an aggregation of the Absa Bank LCR and the LCR of the Absa Regional Operations. For this purpose, a simple average of the relevant three month-end data points is used in respect of the Absa Regional Operations. In respect of Absa Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
[4] Restatement due to exclusion of fair value loans from the denominator.
[5] Restatement due to exclusion of post write-off recoveries from loss given default (LGD).

Risk management overview

for the reporting period ended 30 June 2019

Credit risk

The risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

Key risk metrics[1]	30 June 2019	30 June 2018[2]	31 December 2018
Growth in gross loans and advances to customers (%)	**12.4**	8.4	13.4
CLR (%)	**0.79**	0.75	0.73
Stage 3 ratio on gross loans and advances (%)	**4.8**	5.3	5.1
Stage 3 coverage ratio (%)	**44.3**	45.0[2]	45.1
Stage 1 and stage 2 coverage ratio (%)	**1.1**	1.2[3]	1.1[3]
Total coverage ratio (%)	**3.4**	3.7[3]	3.5[3]
Weighted average probability of default (PD) (%)[4]	**2.4**	2.4	2.3
Weighted average loss given default (LGD) (%)[3]	**30.6**	30.9	30.6
Total credit risk RWA (Rbn)	**644.2**	593.6	626.8
Primary credit risk RWA, excluding CCR RWA (Rbn)	**606.3**	553.2	594.0
Counterparty credit risk (CCR) RWA[5] (Rbn)	**26.4**	29.1	21.7
Equity risk RWA (Rbn)	**11.5**	11.3	11.1
Credit risk RWA as a percentage of exposure at default (EAD)[6] (%)	**42.7**	43.2	42.2

Review of current reporting period

- The credit portfolio performance for H1 2019 held up well despite lower than expected SA GDP growth and persistently weak business and consumer confidence. In ARO, most economies reported solid growth with emergent risks in the form of a strained Zambian fiscus, drought in Kenya and cyclones in Mozambique being well contained.
- **Stage 3 ratio on gross loans and advances** improved to **4.8%** in the period under review (H1 2018: 5.3%). Asset growth and write-off of a large single name in CIB had a significant impact on this outcome, supported by benefits realised from concerted collections efforts and generally lower new wholesale defaults.
- **Total coverage** at **3.4%,** as measured against 3.7% for H1 2018, was considered to be a fair reflection of the quality of the credit portfolio given a targeted growth strategy under an agreed risk appetite construct. This lower coverage reflected the strong recent growth of the balance sheet, the improved delinquency trends and a stable credit portfolio risk shape.
- **Credit loss ratio (CLR)** increased to **0.79%,** largely attributable to asset growth across portfolios, Credit Card and ARO being material contributors and was at the lower end of the Group's through-the-cycle range. An offset came from CIB in the form of lower single name impairments.
- **Primary credit risk RWA** increased by R53.1bn year-on-year due to enterprise-wide asset growth in line with strategy and risk appetite.
- **CCR and credit valuation adjustment (CVA) RWA** consumption decreased by R2.7bn year-on-year largely due to market moves on FX instruments.

Priorities

- Monitor the macroeconomic, political and regulatory environment to identify and address emerging credit risk at an early stage, and consider ongoing potential tail risk events in the near term.
- Maintain a diversified credit portfolio in terms of key concentration dimensions such as individual counterparties, geographies, industries, products and collateral in accordance with the Group's strategy and risk appetite.
- Ensure a fully capacitated and well skilled team of qualified credit professionals is maintained.
- Retain focus on regulatory changes, including a proposed rollout of a standardised CCR capital approach, new regulatory large exposure rules and Basel IV capital rules for credit risk.

1 Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.
2 These numbers have been restated. Refer to report overview on the inside cover page.
3 Restatement due to exclusion of fair value loans from the denominator.
4 The percentages include only portfolios subject to the internal ratings based (IRB) approaches.
5 CCR RWA includes CVA.
6 Credit risk RWA and EAD exclude equity risk RWA and exposures.

Risk management overview

for the reporting period ended 30 June 2019

Traded market risk

The risk of the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions in its active trading activities across the Group. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

	30 June		31 December
Key risk metrics[1]	**2019**	2018	2018
Average traded market risk – 99% daily value at risk (DVaR) (Rm)[2]	**58.7**	43.6	51.4
Traded market risk RWA (Rbn)	**41.9**	31.0	37.0

Review of current reporting period

- The increase in average DVaR and RWAs was principally due to the current positioning of the book leading to increased risk consumption when measured against historic market rate movements, exacerbated by a lack of volume across all markets, creating a challenging environment for the business to exit risk obtained through client facilitation.
- The increase of R10.9bn RWA was primarily as a result of an increase in inventory in ARO, coupled with an increase in the South African markets business.

Priorities

- Continue to manage traded market risk and support the business growth strategy, within risk appetite, operating in markets with reduced volume and liquidity.
- Continue impact analysis, and industry and regulatory engagement on the final Basel Standard: Minimum Capital Requirements for Markets Risk, or FRTB, issued in January 2019.
- Embed the governance, project work streams and operating model to ensure compliance with the FRTB requirements.

Treasury risks

Liquidity risk

The risk that the Group is unable to meet its contractual or contingent cash obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

	30 June		31 December
Key risk metrics[1]	**2019**	2018[5]	2018
Sources of liquidity (Rbn)	**216.9**	218.1	217.7
NSFR (%)	**111.4**	106.0	110.1
LCR (%)[3]	**127.0**	108.6	109.8
Loan-to-deposit ratio[4] (%)	**86.8**	89.4	88.9
Loans and advances to customers and banks (Rbn)	**918.0**	809.1	838.8
South Africa	**805.0**	719.9	741.4
Absa Regional Operations	**113.0**	89.2	97.4
Deposits from customers and banks (including debt securities) (Rbn)	**1 057.5**	904.8	943.6
South Africa	**911.2**	785.6	814.0
Absa Regional Operations	**146.3**	119.2	129.6

1 Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.

2 The value at risk (VaR) confidence interval used for internal risk management purposes has been changed from 95% to 99% in April 2019 to align with regulatory reporting requirements. 95% VaR was R40.1m for the reporting period (R25.2m June 2018 and R28.3m December 2018).

3 The Group LCR reflects an aggregation of the Absa Bank LCR and the LCR of the Absa Regional Operations. For this purpose, a simple average of the relevant three month-end data points is used in respect of the Absa Regional Operations. In respect of Absa Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations. The December 2018 Group LCR was restated post a change in certain assumptions.

4 The methodology used to calculate the loan-to-deposit ratio has been changed to include loans and advances to banks and is based on average balances. Comparative ratios have been restated.

5 These numbers have been restated. Refer to report overview on the inside cover page.

Risk management overview

for the reporting period ended 30 June 2019

Treasury risks *(continued)*

Liquidity risk *(continued)*

Review of current reporting period

- **Liquidity risk position:** The liquidity risk position of the Group remained healthy, in line with risk appetite, and above the minimum regulatory requirements, with sources of liquidity of **R216.9bn** (June 2018: R218.1bn), amounting to **27.2%** (June 2018: 30.5%) of deposits due to customers.
- Each geographic entity was required to be self-sufficient from a liquidity and funding perspective, and was responsible for implementing appropriate processes and controls to ensure compliance with local liquidity risk appetite (LRA), regulatory limits and reporting requirements.
- **Long-term balance sheet structure**
  - The long-term funding ratio was managed at an Absa Bank level in order to balance the LCR and NSFR requirements with overall funding cost. Long-term funding was raised with appropriate tenor to support the growth in long-term assets, through a combination of funding instruments and capital market issuances.
- **Short-term balance sheet structure and liquidity buffers**
  - The Group targets an LCR above the minimum regulatory requirement, and consistently maintained a buffer in excess of the regulatory minimum requirement of 100% during the first half of 2019.
  - The Group has an internal LRA framework, which was used to determine the amount of HQLA the Group was required to hold in order to meet internally defined stress requirements.
  - The Group has access to a committed liquidity facility (CLF) from the SARB, which was included in the high-quality liquid asets (HQLA). The CLF is being phased out by the SARB over the next three years.
- **Diversification:** The Group has a well-diversified deposit base and concentration risk was managed within appropriate guidelines. Sources of funding were managed in order to maintain a wide diversity of depositor, product, tenor and currency.

Priorities

- Continue to focus on the growth of core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved LRA framework and to ensure compliance with the regulatory requirements.
- Maintain adequate liquidity buffers to ensure the Group continues to remain compliant with the LCR while managing the phase-out of the CLF by the SARB.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives while optimising funding cost and complying with the requirements of the NSFR.
- Continue to work with regulatory authorities and other stakeholders on the SARB's proposed approach to bank resolution, as outlined in the recent discussion paper published by the Financial Stability Department of the South African Reserve Bank entitled 'Ending too big to fail: South Africa's intended approach to bank resolution'.

Capital risk

The risk that the Group has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board capital target ranges and above regulatory capital requirements.

	30 June		31 December
Key risk metrics[1]	**2019**	2018[2]	2018
Total RWA (Rbn)	**844.3**	766.6	818.6
CET 1 capital adequacy ratio (%)[3, 4]	**11.9**	12.2	12.0
Return on average risk-weighted assets (RoRWA)[4] (%)	**2.0**	2.2	2.1
EC coverage[4]	**1.4**	1.3	1.5
Return on average EC[4] (%)	**19.5**	18.9	19.2
Return on equity (RoE)[4] (%)	**16.4**	17.1	16.8
Cost of equity (CoE)[5] (%)	**13.75**	14.00	14.00

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.
[2] These numbers have been restated. Refer to report overview on the inside cover page.
[3] Includes unappropriated profits.
[4] Reported on a normalised basis.
[5] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended 30 June 2019

Treasury risks *(continued)*

Capital risk *(continued)*

Review of current reporting period

- The Group's capital position was above minimum regulatory requirements as at 30 June 2019, with capital buffers sufficient to withstand stressed conditions.
- The CET 1 ratio decreased marginally year-on-year due to RWA growth, which increased by 9.8% year-on-year mainly due to balance sheet growth across the Group.
- The Group issued R1.7bn new style Basel III Additional Tier 1 capital instruments and R1.6bn new style Basel III compliant Tier 2 capital instruments which both qualify as regulatory capital (RC) at an Absa Group and Absa Bank level.

Priorities

- Maintain an optimal mix of high-quality capital while continuing to generate sufficient capital to support profitable growth and a sustainable dividend.
- Continue to look for opportunities to increase the contribution of Additional Tier 1 capital instruments to the overall capital position of the Group.
- Continue to monitor and assess regulatory developments that may affect the capital position, such as the standard entitled Basel IV published by the Basel Committee on Banking Supervision (BCBS) in December 2017; and the proposed amendments to the Regulations relating to Banks.
- Contribute at an industry level to the development of a financial conglomerate supervisory framework in South Africa.

Interest rate risk in the banking book (IRRBB)

The risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its banking book assets and liabilities.

	30 June		31 December
Key risk metrics[1]	**2019**	2018	2018
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates (Rm)	**(2 859)**	(2 517)	(2 755)

Review of current reporting period

- The banking book NII sensitivity increased year-on-year, remaining within risk appetite. The increase in NII sensitivity was due to balance sheet growth combined with a change in the underlying mix. The Group remained positively exposed to an increase in interest rates on a net basis after hedging activities.

Priorities

- Continue to manage margin volatility through risk management processes, such as the structural hedge programme in South Africa and through appropriate asset and liability management processes in ARO.
- Retain focus on regulatory changes, specifically preparing for the adoption of the BCBS standard on IRRBB, which is due to be implemented in South Africa by 1 January 2022.

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.

Risk management overview

for the reporting period ended 30 June 2019

Operational risk

The risk of loss due to failures in our processes, people and systems and from external events.

	30 June		31 December
Key risk metrics[1]	**2019**	2018	2018
Total operational risk losses as a percentage of gross income (%)	**0.6**	0.5	0.7
Total operational risk losses (Rm)	**231**	176	535
Total operational risk RWA (Rbn)	**113.5**	108.9	112.7
Operational risk RWA (Rbn)	**90.0**	88.7	90.1
Floor adjustment (Rbn)	**23.5**	20.2	22.6

Review of current reporting period

- **Total operational risk losses** for the six months ended June 2019 of **R231m** increased by R55m year-on-year mainly due to increased fraud and provision for a shortfall in settlements from a third-party vendor.
- **Total operational risk RWA** increased by R4.6bn or 4.3% from increased operating income which translated to a R2.5bn increase under the standardised approach (TSA) in ARO, and a R3.4bn increase in the floor adjustment, offset by a R0.8bn decrease in the advanced measurement approach (AMA) entities risk profile and R0.5bn decrease in the basic indicator approach (BIA) entities.
- **Key achievements** in the period include:
  - Progressed the rollout of infrastructure, capability and control processes over key datasets, in line with the Group's data standards.
  - Enhanced the fraud operating model, processes and analytics capabilities.
  - Revised the Group's procurement operating model, including amendments to processes and selection of new technology.

Priorities

- Continue to develop infrastructure, capability and control processes over key datasets, in line with the Group's data standards.
- Continue to strengthen fraud risk infrastructure across the Group.
- Enhance the toolset used in the management of operational risk, with an emphasis on digitisation of risk management and measurement processes.

Business risk

The risk assumed due to potential changes in general business conditions, competitive market environment and strategy, and the risk of earnings variability, resulting in business revenues not covering operating costs after excluding effects of market, credit and operational risks.

Review of current reporting period

- The Group pursued material strategic change while undergoing separation, therefore business risk was elevated to a principal risk type under the ERMF.
- The Group established a robust separation project to position the organisation favourably in the markets in which it operates.
- The Group committed to financial performance targets to ensure that business risk was appropriately managed over the medium term.

Priorities

- Embed control framework for the oversight and mitigation of business risk.
- Continue to closely manage the separation programme within the remaining time horizon for completion of the programme.
- Continue to manage business risk within the approved risk appetite and cascade the risk appetite metrics across the Group.

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Risk management overview

for the reporting period ended 30 June 2019

Technology risk (including cyber and change risk)

The risk of data loss caused by technology failure and compromise to information security, including the risk due to inappropriate selection, prioritisation, execution and closure of major change initiatives.

Review of current reporting period

- Technology risk has been elevated to a principal risk under the ERMF and includes the following risk types: technology, information security, cyber and change. Focus was on improving the information security and cyber prevention capabilities. This will enable early identification and improve response time to information security threats.
- Data leakage prevention capabilities were implemented and are currently being embedded across the organisation.
- There has been a 21% reduction in the number of major incidents year-on-year. Disaster recovery capability has improved by 22% year-on-year. Automated disaster recovery testing capabilities were established and deployed across the technology estate. Separation projects were successfully delivered in line with the separation agreement.

Priorities

- Continue delivery of the separation programme.
- Progress the remediation of the identified material control issues to improve the technology system stability and cyber security capabilities.
- Roll out the information security and cyber prevention capabilities and embed operational processes including access management, vulnerability management, monitoring and automated blocking of identified rogue devices.

Insurance risk

The risk that future claims, expenses, policyholder behaviour and investment returns will be adversely different from the allowances made in measuring policyholder liabilities and in product pricing.

Review of current reporting period

- Improvements were made on the integration of economic capital, capital target and dividend policy.
- Improvements were made on sensitivity testing and earlier engagement with senior management and the Boards on scenario generation.
- The IFRS 17[1] project was progressed, mainly focused on ingesting data from all agreed sources systems into the Group's data repository solution.

Priorities

- Continue improvements to non-life reserving methodology.
- Continue improvements to asset liability management for life insurance entities that considers the requirements of the Insurance Act, 2017 and related prudential standards appropriately.
- Continue improvements in product lifecycle and profitability monitoring and analysis.
- Continue improvements to the methodology and processes for capital management, stress and scenario testing and risk appetite setting, including qualitative insurance risk appetite statements.
- Process formalisation and production of separate solo own risk and solvency assessment (ORSA) reports for the South African insurance entities and a more condensed Absa Financial Services Limited (AFS) group ORSA Report.
- Continue delivery on the IFRS 17 programme.

[1] New international financial reporting standard for insurance contracts replacing IFRS 4.

Risk management overview

for the reporting period ended 30 June 2019

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Review of current reporting period

- Significant progress was made in the design and implementation of the strategic model implementation platform and migration to this platform has been initiated.

Priorities

- Enhance model risk management and governance through the implementation of a new workflow tool.
- Commence embedment of machine learning standards.
- Continue to focus on the enhancement of the current model suites that support the Group risk appetite assessment.
- Complete migration of existing models to the new platform by 2020.

Conduct risk

The risk of detriment to customers, clients, market integrity, effective competition or Absa Group from the inappropriate supply of financial services, including instances of wilful/negligent misconduct. As such comprises product risk, culture risk, customer engagement risk, reputational risk, environmental risk, regulatory risk and financial crime risk.

Review of current reporting period

- Thematic inherent risks were identified through the application of the Conduct Risk Framework, relating to:
  - Ongoing management of customer data, retention and retrieval to ensure security and protection. The Data Privacy Programme continued to be embedded into the business as usual processes in terms of the requirements of the Protection of Personal Information Act. This risk will continue to be monitored as a material inherent risk in the organisation.
  - The impact of IT stability and functionality, cybercrime and fraud on customers continued to be monitored. The Group continued to develop new preventative technology tools that are aimed at better protecting customers to achieve the Group's conduct outcomes. The focus on customer awareness and education will continue.
  - Oversight of third-party activities (suppliers and intermediaries) that impacted the Group's ability to service customers. Absa continued to play an oversight role over all service providers and intermediaries that provide services that are customer facing, enabling effective management of risk.
  - Developed relationships with clients whose environmental impact is aligned with the Group's strategy and risk appetite.
  - Maintained strong relationships with the relevant regulatory bodies in South Africa and across the presence countries.
  - Continued focus on capabilities to minimise the impact of financial crime.

Priorities

- Define and embed the revised Conduct Risk Framework as provided in the Enterprise Risk Management Framework with the inclusion of reputation risk, environmental risk and regulatory risk as additional sub-risk types.
- Continue management of conduct-related risks inherent in the separation from Barclays PLC.
- Embed the Risk Management Compliance Programme relating to Financial Crime.
- Implement the Group Code of Ethics (the Absa Way) post a review of the Group's values.
- Continue engagement with the Financial Sector Conduct Authority on the Conduct of Financial Institutions Bill and implementation of the market conduct standards issued under the Financial Sector Regulation Authority Act.
- Increase the security of the Group's digital platforms to better protect customers against financial crime.
- Enhance the mechanisms to identify and address customer dissatisfaction in a manner that promotes good conduct.
- Increase the use of data analytics to enhance risk management relating to treating customers fairly and market integrity.

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Risk management overview

for the reporting period ended 30 June 2019

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Review of current reporting period

- Participated in industry initiatives in relation to the new Legal Practice Act.
- Performed impact assessments and prepared for the implementation of new, upcoming pieces of legislation including:
  - Conduct of Financial Institutions Bill;
  - Financial Sector Laws Amendment Bill;
  - National Credit Amendment Bill; and
  - Financial Matters Amendment Bill.

Priorities

- Advance the use of innovation and stakeholder collaboration to improve the delivery of legal advice and legal risk management.
- Continue supplier development support through strategic initiatives undertaken with black-owned and black women-owned law firms.

Capital management and RWA

for the reporting period ended 30 June 2019

Capital adequacy

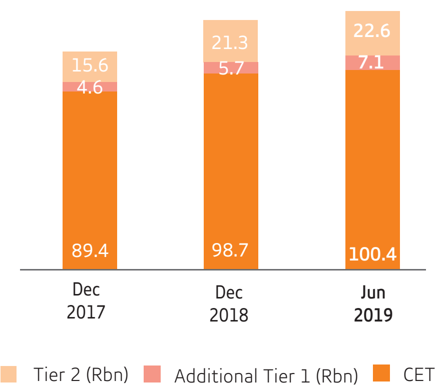
The Group's capital management strategy, which supports and aligns with the Group's strategy, is to create sustainable value for shareholders within approved risk appetite through effective balance sheet management.

Group capital adequacy

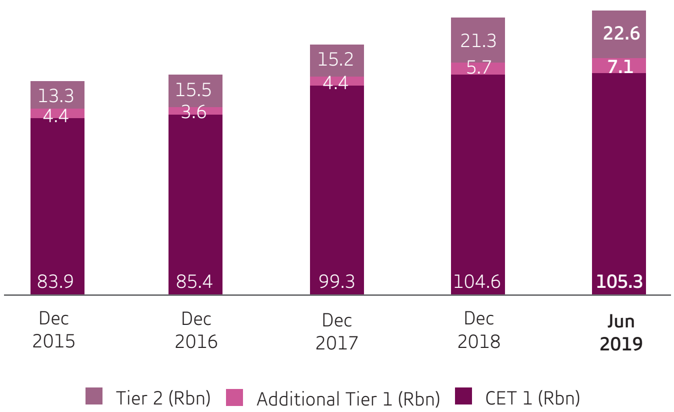
Group	Board target ranges[1] %	Minimum regulatory capital requirements[2] %	Normalised Group performance June 2019	Normalised Group performance June 2018	Normalised Group performance December 2018	IFRS Group performance June 2019	IFRS Group performance June 2018	IFRS Group performance December 2018
Statutory capital ratios (includes unappropriated profits) (%)								
CET 1	11.00 – 12.00		**11.9**	12.2	12.0	**12.5**	13.3	12.8
Tier 1	12.00 – 13.00		**12.7**	12.8	12.8	**13.3**	13.9	13.5
Total capital adequacy requirement (CAR)	14.50 – 15.50		**15.4**	15.7	15.4	**16.0**	16.7	16.1
Leverage	5.00 – 7.00		**6.7**	6.9	7.0	**7.0**	7.5	7.4
Regulatory capital ratios (excludes unappropriated profits) (%)								
CET 1		7.5				**11.3**	12.5	11.3
Tier 1		9.3				**12.1**	13.1	12.0
Total CAR		11.5				**14.8**	15.9	14.6
Leverage		4.0				**6.4**	7.1	6.6

Absa Group qualifying capital (including unappropriated profits)

Normalised



IFRS



Normalised December 2017	Normalised December 2018	Normalised June 2019	
12.1	12.0	**11.9**	CET 1 ratio (%)
14.9	15.4	**15.4**	Total capital adequacy ratio (%)

IFRS December 2015	IFRS December 2016	IFRS December 2017	IFRS December 2018	IFRS June 2019	
11.9	12.1	13.5	12.8	**12.5**	CET 1 ratio (%)
14.5	14.8	16.1	16.1	**16.0**	Total capital adequacy ratio (%)

[1] Normalised capital ratios (including unappropriated profits) are managed against Board capital target ranges.
[2] The 2019 minimum regulatory capital requirements of 11.5% (2018: 11.13%) include the capital conservation buffer, which is being phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

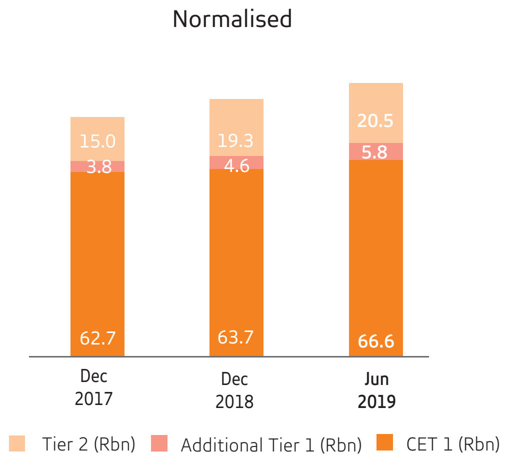
for the reporting period ended 30 June 2019

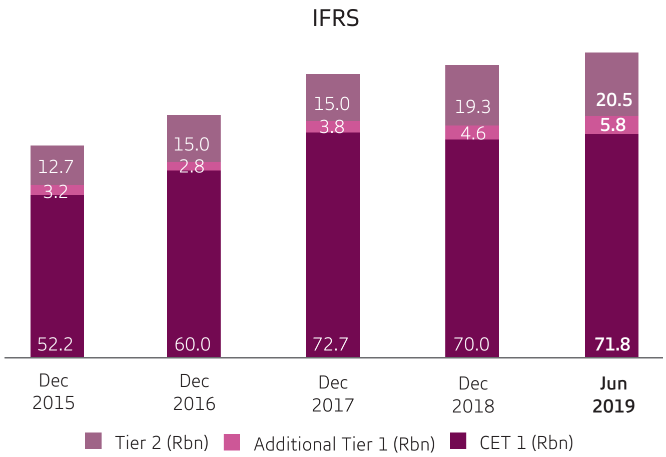
Capital adequacy (continued)

Absa Bank Limited[1] capital adequacy

Bank	Board target ranges[2] %	Minimum regulatory capital requirements[3] %	Normalised Bank performance June 2019	Normalised Bank performance June 2018	Normalised Bank performance December 2018	IFRS Bank performance June 2019	IFRS Bank performance June 2018	IFRS Bank performance December 2018
Statutory capital ratios (includes unappropriated profits) (%)								
CET 1	11.00 – 12.00		**11.3**	11.9	11.2	**12.2**	13.5	12.3
Tier 1	12.00 – 13.00		**12.3**	12.5	12.0	**13.2**	14.1	13.1
Total capital adequacy requirement (CAR)	14.50 – 15.50		**15.8**	16.3	15.4	**16.6**	17.9	16.5
Leverage	5.00 – 7.00		**5.3**	5.6	5.3	**5.6**	6.3	5.7
Regulatory capital ratios (excludes unappropriated profits) (%)								
CET 1		7.5				**11.1**	12.7	11.4
Tier 1		9.3				**12.1**	13.3	12.2
Total CAR		11.5				**15.5**	17.1	15.6
Leverage		4.0				**5.2**	6.0	5.4

Absa Bank qualifying capital (including unappropriated profits)





Normalised December 2017	Normalised December 2018	Normalised June 2019		IFRS December 2015	IFRS December 2016	IFRS December 2017	IFRS December 2018	IFRS June 2019	
11.6	11.2	**11.3**	CET 1 ratio (%)	10.5	11.6	13.4	12.3	**12.2**	CET 1 ratio (%)
15.0	15.4	**15.8**	Total capital adequacy ratio (%)	13.8	15.1	16.9	16.5	**16.6**	Total capital adequacy ratio (%)

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Normalised capital ratios (including unappropriated profits) are managed against Board capital target ranges.
[3] The 2019 minimum regulatory capital requirements of **11.5%** (2018: 11.13%) include the capital conservation buffer, which is being phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

for the reporting period ended 30 June 2019

Overview of RWA

The following table provides the RWAs per BCBS specified risk type and the associated minimum capital requirements on an IFRS basis.

Group	June 2019 RWA Rm	June 2018[1] RWA Rm	December 2018 RWA Rm	June 2019 Minimum capital requirement[2] Rm
Credit risk (excluding counterparty credit risk (CCR))	**606 312**	553 232	593 992	**69 726**
Of which: standardised approach (SA)	**176 964**	164 768	176 051	**20 351**
Of which: advanced internal ratings based (A-IRB) approach	**429 348**	388 464	417 941	**49 375**
CCR	**16 894**	18 797	14 268	**1 943**
Of which: standardised approach for CCR (SA-CCR)[3]	**16 894**	18 797	14 268	**1 943**
Credit valuation adjustment (CVA)	**9 483**	10 267	7 400	**1 091**
Equity positions under the simple risk weight approach	**3 921**	3 365	4 171	**451**
Equity investments in funds – look-through approach	**7 607**	7 959	6 990	**875**
Settlement risk	**905**	1 384	874	**104**
Securitisation exposures in banking book	**28**	435	24	**3**
Of which: IRB ratings-based approach (SEC-IRBA)	**28**	435	24	**3**
Market risk	**41 885**	31 014	37 007	**4 817**
Of which: standardised approach (SA)	**16 891**	13 035	15 818	**1 943**
Of which: internal model approaches (IMA)	**24 994**	17 979	21 189	**2 874**
Operational risk	**89 980**	88 731	90 156	**10 348**
Floor adjustment	**23 551**	20 164	22 590	**2 708**
Non-customer assets	**27 964**	23 392	24 637	**3 216**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**15 802**	7 813	16 483	**1 816**
Total	**844 332**	766 553	818 592	**97 098**

Key drivers of year-on-year change in RWA consumption were as follows:

- **Credit risk:** The increase of R53bn was attributable to increases in the IRB portfolios of R40.9bn and standardised portfolios of R12.1bn. The primary driver for the increase in the South African (IRB) portfolios was exposure growth in RBB and CIB. The R12.1bn increase in the standardised portfolios was a result of balance sheet growth of R9.1bn and foreign exchange movements of R3bn in ARO.
- **CCR and CVA:** The decreases in CCR of R1.9bn and in CVA of R0.8bn were primarily due to foreign exchange movements.
- **Market risk:** The increase of R10.9bn was primarily as a result of an increase in inventory in ARO, coupled with an increase in the South African markets.
- **Operational risk:** The increase in operational risk of R1.2bn was due to increased operating income which translated to a R2.5bn increase under TSA in ARO, offset by a R0.8bn decrease in the AMA entities and R0.5bn decrease in the BIA entities.
- **Floor adjustment:** The increase of R3.4bn was due to increased operating income translating to an increased capital floor adjustment attributable to AMA entities.

[1] These numbers have been restated. Refer to report overview on the inside cover page.

[2] The 2019 minimum regulatory capital requirements of 11.5% (2018: 11.13%) include the capital conservation buffer, which was phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the domestically systemically important bank (D-SIB) add-on.

[3] SA-CCR amount is calculated using the current exposure method (CEM).

Capital management and RWA

for the reporting period ended 30 June 2019

Overview of RWA (continued)

Absa Bank[1]	June 2019 RWA Rm	June 2018[2] RWA Rm	December 2018 RWA Rm	June 2019 Minimum capital requirement[3] Rm
Credit risk (excluding counterparty credit risk (CCR))	426 041	388 628	416 843	48 995
Of which: standardised approach (SA)	9 408	11 429	10 792	1 082
Of which: advanced internal ratings based (A-IRB) approach	416 633	377 199	406 051	47 913
CCR	15 867	18 389	13 499	1 825
Of which: standardised approach for CCR (SA-CCR)[4]	15 867	18 389	13 499	1 825
Credit valuation adjustment (CVA)	9 483	10 267	7 400	1 091
Equity positions under the simple risk weight approach	1 815	1 769	1 769	209
Equity investments in funds – look-through approach	358	368	353	41
Settlement risk	837	1 323	783	96
Securitisation exposures in banking book	28	435	24	3
Of which: IRB ratings-based approach (SEC-IRBA)	28	435	24	3
Market risk	32 843	22 603	29 187	3 777
Of which: standardised approach (SA)	7 849	4 624	7 998	903
Of which: internal model approaches (IMA)	24 994	17 979	21 189	2 874
Operational risk	56 164	57 414	56 424	6 459
Floor adjustment	21 546	18 269	20 570	2 478
Non-customer assets	20 998	17 942	18 364	2 415
Amounts below the thresholds for deduction (subject to 250% risk weight)	3 147	2 584	4 287	361
Total	589 127	539 991	569 503	67 750

Key drivers of year-on-year change in RWA consumption were as follows:

- **Credit risk:** The increase of R37.4bn was due to exposure growth in both RBB and CIB.
- **CCR and CVA:** The decreases in CCR of R2.5bn and in CVA of R0.8bn were primarily due to market movements.
- **Market risk:** The increase of R10.2bn was primarily as a result of an increase in inventory in ARO, coupled with an increase in the South African markets business.
- **Operational risk:** The decrease in operational risk of R1.2bn was due to a R0.7bn decrease in AMA entities risk profile and a R0.6bn decrease in BIA entities.
- **Floor adjustment:** The increase in the floor adjustment of R3.3bn was due to increased operating income translating to an increased capital floor adjustment attributable to AMA entities.

1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 These numbers have been restated. Refer to report overview on the inside cover page.
3 The 2019 minimum regulatory capital requirements of 11.5% (2018: 11.13%) include the capital conservation buffer, which was phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
4 SA-CCR amount is calculated using the CEM.

Capital management and RWA

for the reporting period ended 30 June 2019

Capital supply

Breakdown of qualifying capital

Group	30 June 2019 Rm	30 June 2019 %[2]	30 June 2018[1] Rm	30 June 2018[1] %[2]	31 December 2018 Rm	31 December 2018 %[2]
CET 1	**95 034**	**11.3**	96 391	12.5	92 829	11.3
Additional Tier 1 capital	**7 067**	**0.8**	4 271	0.6	5 718	0.7
Tier 1 capital	**102 101**	**12.1**	100 662	13.1	98 547	12.0
Tier 2 capital	**22 568**	**2.7**	21 862	2.8	21 288	2.6
Total qualifying capital (excluding unappropriated profits)	**124 669**	**14.8**	122 524	15.9	119 835	14.6
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**112 319**	**13.3**	106 877	13.9	110 308	13.5
CET 1 (excluding unappropriated profits)	**95 034**	**11.3**	96 391	12.5	92 829	11.3
Unappropriated profits	**10 218**	**1.2**	6 215	0.8	11 761	1.5
Additional Tier 1	**7 067**	**0.8**	4 271	0.6	5 718	0.7
Tier 2 capital	**22 568**	**2.7**	21 862	2.8	21 288	2.6
Total qualifying capital (including unappropriated profits)	**134 887**	**16.0**	128 739	16.7	131 596	16.1
Normalised qualifying capital (including unappropriated profits)	**130 070**	**15.4**	120 530	15.7	125 718	15.4

Absa Bank[3]	30 June 2019 Rm	30 June 2019 %[2]	30 June 2018[1] Rm	30 June 2018[1] %[2]	31 December 2018 Rm	31 December 2018 %[2]
CET 1	**65 204**	**11.1**	68 356	12.7	64 827	11.4
Additional Tier 1 capital	**5 812**	**1.0**	3 357	0.6	4 599	0.8
Tier 1 capital	**71 016**	**12.1**	71 714	13.3	69 426	12.2
Tier 2 capital	**20 517**	**3.4**	20 718	3.8	19 284	3.4
Total qualifying capital (excluding unappropriated profits)	**91 533**	**15.5**	92 432	17.1	88 710	15.6
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**77 613**	**13.2**	76 023	14.1	74 558	13.1
CET 1 (excluding unappropriated profits)	**65 204**	**11.1**	68 356	12.7	64 827	11.4
Unappropriated profits	**6 597**	**1.1**	4 310	0.8	5 132	0.9
Additional Tier 1	**5 812**	**1.0**	3 357	0.6	4 599	0.8
Tier 2 capital	**20 517**	**3.4**	20 718	3.8	19 284	3.4
Total qualifying capital (including unappropriated profits)	**98 130**	**16.6**	96 741	17.9	93 842	16.5
Normalised qualifying capital (including unappropriated profits)	**92 947**	**15.8**	88 345	16.3	87 541	15.4

1 These numbers have been restated. Refer to report overview on the inside cover page.
2 Percentage of capital to RWAs.
3 Absa Bank includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 30 June 2019

Economic capital

EC provides a common basis on which to aggregate and compare different risks using a forward-looking, single measure of risk. It is a critical input into the Internal Capital Adequacy Assessment Process (ICAAP) and in capital allocation decisions, which supports shareholder value creation. EC considers risk types, which not only lead to potential operating losses but can also result in lower than expected earnings.

In the table below, EC demand is presented at a 99.9% confidence level, aligned to the ERMF principal risks. EC demand is compared to the available financial resources (AFR), which is also referred to as EC supply, to evaluate the total EC surplus. The Group ensures that there are sufficient AFR in order to meet this minimum demand requirement under severe yet plausible stress conditions.

	30 June		31 December
Economic capital[2]	**2019 Rm**	2018[1] Rm	2018 Rm
Credit risk[3]	**56 979**	56 285	54 467
Traded market risk	**3 811**	2 756	3 139
Operational risk	**6 928**	6 569	6 658
Treasury risk	**5 914**	5 398	5 876
Business risk	**9 520**	15 684	8 824
Insurance risk	**3 723**	2 921	3 028
Total EC requirement	**86 875**	89 613	81 992
IFRS total EC AFR	**129 994**	127 914	127 914
IFRS total EC surplus	**43 119**	38 301	45 922
IFRS EC coverage ratio (%)	**1.5**	1.4	1.6
Normalised total EC AFR	**125 179**	119 222	121 850
Normalised total EC surplus	**38 965**	29 609	39 858
Normalised EC coverage ratio (%)	**1.4**	1.3	1.5

The decrease in business risk of R6.2bn was as a result of refinements to the fixed asset risk EC methodology, offset marginally by an increase in strategy risk arising from increased business activity.

[1] These numbers have been restated. Refer to report overview on the inside cover page.
[2] EC demand and AFR reported on a spot basis.
[3] Credit risk includes equity risk, CCR and CVA.

Appendices

176 Share performance

177 Shareholder information and diary

178 Glossary

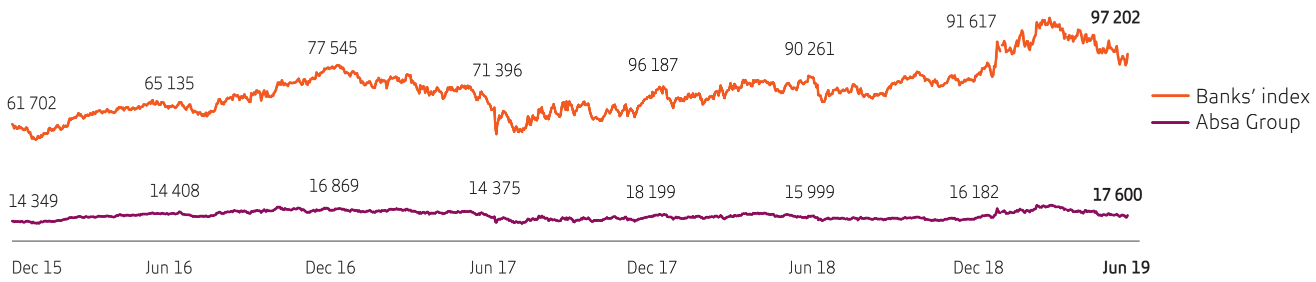
185 Abbreviations and acronyms

187 Contact information

Share performance

for the reporting period ended 30 June 2019

Share performance (cents)



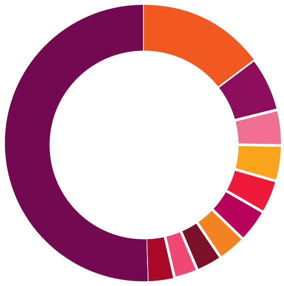
Share performance on the JSE	30 June 2019	30 June 2018	Change %	31 December 2018
Number of shares in issue, which includes 2 074 711 (2018:3 293 577) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**17 600**	15 999	10	16 182
high	**18 628**	20 700	16	20 700
low	**15 035**	15 186	(3)	14 050
average	**16 906**	17 979	(11)	16 842
Closing price/Normalised NAV per share (excluding preference shares) (%)	**1.43**	1.37	4	1.35
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**8.93**	8.53	5	8.50
Volumes of shares traded (million)	**376.7**	427.4	(12)	807.0
Value of shares traded (million)	**63 736.7**	77 069.5	(17)	136 758.5
Market capitalisation (Rm)	**149 204.0**	135 631.6	10	137 183.0
Annual total return (%)	**16.9**	18.7	(10)	(5.1)

133 IFRS salient features
134 Financials
145 Notes to the financials
150 Segment performance
152 Barclays separation
156 Risk management overview
168 Capital management and RWA
176 Share performance
177 Shareholder information and diary
178 Glossary
185 Abbreviations and acronyms
187 Contact information

Shareholder information and diary

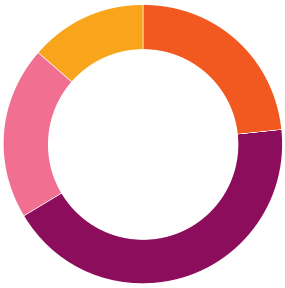
Major ordinary shareholders (%)

June 2019	2018	
14.88	(14.88)	Barclays Bank PLC (UK)
6.29	(6.53)	Public Investment Corporation (SA)
4.16	(4.28)	Deutsche Securities (SA)
4.20	(3.56)	Old Mutual Plc (SA)
4.07	(3.18)	Prudential Investment Managers (SA)
3.78	(3.48)	Black Rock Incorporated (US)
3.30	(3.00)	The Vanguard Group Incorporated (US, AU)
3.00	(3.01)	Citigroup Global Markets (SA)
2.92	(2.53)	Dimensional Fund Advisors (US, UK)
2.89	(1.89)	Investec Asset Management (SA)
50.51	(53.66)	Other



Major shareholding by geography (%)

June 2019	2018	
23.57	(27.27)	United Kingdom
42.92	(40.47)	South Africa
20.10	(17.64)	United States and Canada
13.41	(14.62)	Other countries



Shareholder diary

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim	13 August 2019	10 September 2019	11 September 2019	13 September 2019	16 September 2019
Final[1]	5 March 2020	14 April 2020	15 April 2020	17 April 2020	20 April 2020

[1] Subject to change.

Glossary

Amounts written off

Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

Approaches (FIRB, AIRB, AMA and IMA)

Methods available to banks to calculate their regulatory capital requirements, based on their own risk estimates. These include the foundation internal ratings-based (FIRB) and advanced internal ratings-based (AIRB) approaches for credit risk, the advanced measurement approach (AMA) for operational risk and the internal models approach (IMA) for market risk.

Average interest-bearing assets

Average interest-bearing assets consist of all accounts that are not impaired and thus attract interest within the asset categories of cash, cash balances and balances with central banks, loans and advances to banks and customers and investment securities (including cash and short-term assets, money market assets and capital market assets).

Average loans to deposits and debt securities ratio

Loans and advances to customers and loans and advances to banks as a percentage of deposits due to customers, deposits to banks and debt securities in issue (calculated on daily weighted averages).

Balance sheet

The term 'balance sheet' is used in the same context as the 'statement of financial position'.

Bank

Absa Bank Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Bank' or 'Absa Bank' in this report.

Banking average assets

Banking average assets consist of all average assets related to the banking activities of the Group. Banking average assets exclude 'Other assets', 'Current tax assets', 'Non-current assets held for sale', 'Reinsurance assets', 'Goodwill and intangible assets', 'Property and equipment' and 'Deferred tax assets', and includes 'Trading portfolio liabilities'.

Banking book annual earnings at risk

A measure of the sensitivity of net interest income over a one-year horizon due to a change in the level of interest rates. Calculated as the difference between the estimated income using the current yield curve, and the lowest estimated income following an increase or decrease in interest rates. As per regulatory requirement, a 200 bps downward shock is applied.

Banking income yield

Income as a proportion of banking average assets.

Banking interest yield

Net interest income after credit losses, as a proportion of banking average assets.

Banking non-interest yield

Non-interest income as a proportion of banking average assets.

Banks Act

This means the Banks Act, No 94 of 1990 and its accompanying regulations relating to banks published in the Government Gazette on 12 December 2012.

Barclays

Barclays PLC, registered in England under registration number 1026167.

Basel Capital Accord (II, II.5 and III)

The Basel Capital Accord of the Bank for International Settlements is an improved capital adequacy framework aimed at closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Glossary

Borrowed funds

Subordinated callable notes qualifying as long-term Tier 2 capital in terms of section 1 of the Banks Act, No 94 of 1990.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the requirements of the SARB. The ratio is calculated by the aggregate amount of qualifying capital and reserve funds dividend by RWA. The base minimum South African total capital adequacy ratio for banks is 10% of RWA. Non-South African banks in the Group have similar capital adequacy methodology requirements.

Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET 1; and
- Regulatory adjustments applied in the calculation of CET 1.

Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in CET 1);
- Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of additional Tier 1 capital.

Capital – Common Equity Tier 1 capital adequacy ratio

A measurement of a bank's core equity capital compared with its total risk-weighted assets. This is the measure of a bank's financial strength. The Common Equity Tier 1 excludes any preference shares or non-controlling interests when determining the calculation.

Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital); Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital;
- Instruments issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital;
- Certain loan loss provisions such as general provisions/general loan-loss reserve; and Regulatory adjustments applied in the calculation of Tier 2 capital.

Capital – Tier 2 ratio

A component of regulatory capital, comprising qualifying subordinated loan capital, related minority interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.

Claims ratio

Net insurance claims and benefits paid as a percentage of net premium income.

Combined ratio

Insurance losses incurred and expenses as a percentage of insurance premiums earned.

Conduct risk

Conduct risk is the detriment caused to the Group's customers and clients, counterparties or Absa Bank Limited as a result of inappropriate execution of the business activities.

Glossary

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Absa Regional Operations market segment disclosed on pages 114 and 115 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to rand.

The current reporting period's results are translated at the current reporting period's average rates for the Statement of comprehensive income, while the closing rate is used for the Statement of financial position in terms of IFRS.

The percentage change based on constant currency has been presented to provide information on the impact of foreign currency movements on the local currency earnings. This is calculated for the Statement of comprehensive income and Statement of financial position, by translating the previous and current reporting periods' results at the exchange rate as at the prior reporting date and comparing the two outcomes.

The percentage change based on constant currency is provided for illustrative purposes only and may not fairly present the Group's financial position and/or the results of its operations. The directors are responsible for the preparation of the constant currency information.

Cost-efficiency ratio

'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income, net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

Cost of equity

An estimate of the return that the market demands in exchange for the risk of ownership of equity.

Cost-to-income ratio

'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income.

Coverage ratio

Impairment losses on loans and advances as a proportion of gross loans and advances.

Credit loss ratio

Impairment losses for the reporting period, divided by total average advances (calculated on a daily weighted average basis).

Debt securities in issue

Short- to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

Diluted headline earnings per share

Headline earnings for the reporting period that is attributable to ordinary equity holders, as a proportion of the weighted average number of ordinary shares in issue adjusted for the effect of all potential dilutive ordinary shares.

Distribution force

Number of active advisers.

Dividend cover

Headline earnings per share divided by dividend per share.

Dividend per ordinary share relating to income for the reporting period

Dividend per ordinary share for the reporting period is the actual interim dividends paid and the final dividends declared for the reporting period under consideration, expressed as cents per share.

Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

Earnings per share

Basic earnings per share

This constitutes the net profit for the reporting period, less earnings attributable to non-controlling interest, divided by the weighted average number of ordinary shares in issue during the reporting period.

Diluted basic earnings per share

The amount of profit for the reporting period that is attributable to ordinary equity holders, divided by the weighted average number of ordinary shares in issue during the reporting period, both adjusted for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

Glossary

Economic capital
Economic capital is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99.95% confidence level. This sets the internal capital requirement deemed necessary by the Group to support the risks to which it is exposed.

Embedded value
The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Group's dividend policy.

Exchange differences
Differences resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

Expected Credit Loss (ECL) coverage ratio
ECL allowance as a proportion of gross loans and advances to customers and banks.

Financial Markets Act
This means the Financial Markets Act No 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

Foreign currency translation
Foreign currency accounts of the Group's subsidiaries translated to reporting currency, with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

Gains and losses from banking and trading activities
Banking and trading portfolios include:

- realised gains and losses on financial instruments measured at amortised cost and FVOCI;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gains and losses from investment activities
Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments measured at amortised cost and FVOCI;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gross credit extended
Loans advanced to customers and banks, as well as off-balance sheet exposures.

Group
Absa Group Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Group' or 'Absa Group' in this report.

Glossary

Headline earnings
Headline earnings reflects the operating performance separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest of preference shares or ordinary shares, where relevant.

Headline earnings per share
Profit attributable to ordinary equity holders after adjusting for separately identifiable remeasurements, net of tax and non-controlling interest, divided by the weighted average number of ordinary shares in issue. A remeasurement is an amount recognised in profit or loss relating to any change in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability.

Diluted headline earnings per share
Diluted headline earnings per share is calculated by adjusting both the headline earnings and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

Income statement
The term Income statement is used in the same context as the Statement of comprehensive income.

Indirect taxation
Indirect taxes are the taxes that are levied on transitions rather than on persons (whether individuals or corporate). These taxes include unclaimed value-added taxes, stamp duties on deposits and Regional Services Council levies.

Jaws
A measure used to demonstrate the extent to which the Group's income from operations growth rate exceeds operating expenses growth rate. Income from operations consists of net interest income and non-interest income.

Leverage
Average assets as a proportion of average equity.

Life new business margin
Embedded value of new business attained in the Life Insurance key business area of WIMI, as a proportion of the discounted value of the associated future premiums.

Loans-to-deposits and debt securities ratio
Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

Long-term funding ratio
Funding with a term in excess of six months.

Market capitalisation
The Group's closing share price, times the number of shares in issue at the reporting date.

Merchant income
Income generated from the provision of point-of-sale facilities to the Group's merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

Net asset value per share
Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Net income
Net income consists of net interest income and non-interest income, net of impairment losses on loans and advances.

Net insurance premium income
The amount of insurance premiums received or receivable on insurance assets net of insurance claims and benefits paid on insurance liabilities.

Net interest income
The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

Net interest margin on average interest-bearing assets
Net interest income for the reporting period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets.

Glossary

Net present value unwind on non-performing book
A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

Net trading result
Net trading result includes the profits and losses on CIB's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIB's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. It also includes similar activities from the African operations.

Non-interest income
Non-interest income consists of the following Statement of comprehensive income line items: 'net fee and commission income', 'net insurance premium income', 'net insurance claims and benefits paid', 'changes in investment contracts and insurance contract liabilities', 'gains and losses from banking and trading activities', 'gains and losses from investment activities as well as other operating income'.

Non-interest income as a percentage of income
Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Pre-provision profit
Total income less operating expenses.

Price-to-earnings ratio
The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

Probability of default
The probability that a debtor will default within a one-year time horizon.

Regulatory capital
The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

Return on average assets
Annualised headline earnings as a proportion of total average assets.

Return on average equity
Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital
Measure of efficient use, by segment, of regulatory capital.

Return on average risk-weighted assets
Annualised headline earnings as a proportion of average risk-weighted assets.

Income/Total income
Income consists of net interest income and non-interest income.

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Solvency margin
The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

Glossary

Stage 1
Assets comprise exposures that are performing in line with expectations at origination. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1.

Stage 2
Exposures are required to be classified within stage 2 when a significant increase in credit risk has been observed. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices.

Stage 3
Credit exposures are classified within stage 3, when they are regarded as being credit impaired, which aligns to the bank's regulatory definition of default.

Stage 3 loans ratio on gross loans and advances
Stage 3 loans and advances as a percentage of gross loans and advances.

Tangible net asset value per share
Total equity attributable to ordinary equity holders less goodwill and intangible assets, divided by the number of shares in issue. The tangible net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Underwriting margin
Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

Value-at-risk model
A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business
The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Weighted average number of shares
The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income, less treasury shares held by entities, weighted on a time basis for the period during which the entities held these shares.

Abbreviations and acronyms

A

AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine

B

Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET 1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

Abbreviations and acronyms

M

MC	Group Model Committee
MR	market risk

N

NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	Total loss absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Contact information

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